ATTACHMENT C

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

TEXT OF THE CURRENT RELEVANT PROVISIONS OF DEALER MEMBER RULES 1, 16, 17, 100, 200, 300, 400, 800, 1100, 1200, 1400, 2000, 2200, 2300, 2600 AND 3000

RULE 1

INTERPRETATION AND EFFECT

1.1. In these Rules unless the context otherwise requires, the expression:

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"**Securities Held for Safekeeping**," means those securities held by a Dealer Member for a client pursuant to a written safekeeping agreement. These securities must be free from any encumbrance, be kept apart from all other securities and be identified as being held in safekeeping for a client in a Dealer Member's security position record, customer's ledger and statement of account. Securities so held can only be released pursuant to an instruction from the client and not solely because the client has become indebted to the Dealer Member;

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"**Segregated Securities**" means those clients' securities which are unencumbered and which have either been fully paid for or are excess margin securities. Segregated securities must be distinguished as being held in trust for the client owning the same. These securities must be described as being held in segregation on the Dealer Member's security position record (or related records), customer's ledger and statement of account. Whenever a client becomes indebted to a Dealer Member, the Dealer Member has the right to use, by sale or loan, previously segregated securities to the extent reasonably necessary to cover the indebtedness;

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RULE 16

DEALER MEMBERS' AUDITORS AND FINANCIAL REPORTING

Panel of Dealer Members' Auditors

16.1. Each District Council shall select annually a panel of accounting firms. In addition, each District Council may at any time appoint one or more additional firms of accountants to or remove one or more firms of accountants from such panel. Except as otherwise provided by the Rules, each Dealer Member shall select from the panel its own auditor and the fees and expenses in respect of each audit or examination shall be paid by the Dealer Member concerned.

Dealer Member Filing Requirements

16.2. Dealer Members subject to the Corporation's audit jurisdiction shall:

(i) File monthly with the Corporation a copy of a financial report of the Dealer Member as at the end of each fiscal month or at such other date as may be agreed with the Corporation. Such monthly financial reports shall contain or be accompanied by such information as may be prescribed by the Corporation from time to time.

(ii) File annually with the Corporation, two copies of the Dealer Member's audited financial statements, as defined in subsection 16.2(iii), as at the end of the Dealer Member's fiscal year or as at such other fixed date as may be agreed upon with the Corporation.

(iii) The Dealer Member's financial statements shall be in such form, shall contain such information and shall be supplemented by such additional schedules as the Corporation may, from time to time, prescribe. The Dealer Member's financial statements shall be filed by the Dealer Member's Auditor within seven weeks of the date as of which the statements are required to be prepared, subject to the extension of time, if any, as the Corporation may grant, upon the request in writing of the Dealer Member's Auditor.

(iv) In calculating the risk adjusted capital of a Dealer Member, the financial position of the Dealer Member may, with the prior approval of the Corporation, be consolidated (in a manner as set out below) with that of any related company of a Dealer Member provided that:

(a) Such related company is subject to all of the Rules of either the Corporation or the Bourse de Montréal Inc.; and

(b) The Dealer Member has guaranteed the obligations of such related company and the related company has guaranteed the obligations of the Dealer Member (such guarantee to be in a form acceptable to the Corporation and unlimited in amount).

(v) The said consolidation permitted shall be carried out in accordance with the following rules or in such other manner as may be acceptable to the Corporation:

(a) Inter-company accounts between the Dealer Member and the related company shall be eliminated;

(b) Any minority interests in the related company shall be eliminated from the capital calculation; and

(c) Calculations with respect to the Dealer Member and the related company shall be as of the same date.

16.3. Repealed.

16.4. Repealed.

Dealer Members' Auditors

16.5. The Dealer Member's Auditor shall conduct his or her examination of the accounts of the Dealer Member in accordance with generally accepted auditing standards and the scope of his or her procedures shall be sufficiently extensive to permit him or her to express an opinion on the Dealer Member's financial statements in the form prescribed in subsection 16.2(iii). Without limiting the generality of the foregoing, the scope of the examination shall, where applicable, include at least the procedures set out in Rule 300.

16.6. Every Dealer Member's Auditor for the purpose of any such examination shall be entitled to free access to all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description of the Dealer Member being examined, and no Dealer Member shall withhold, destroy or conceal any information, document or thing reasonably required by the Dealer Member's Auditor for the purpose of his examination.

Compliance

16.7. If at any time the District Council is of the opinion that the financial condition or conduct of the business of any Dealer Member has required excessive attention from the Corporation and that it would be in the interests of the Corporation that the Corporation be reimbursed by such Dealer Member, the District Council shall have the power to impose an assessment against such Dealer Member. Any decision of the District Council imposing an assessment shall be in writing and notice thereof shall be given promptly to the Dealer Member and the Corporation.

16.8. The Board of Directors may authorize the Corporation to enter into in its own name agreements or arrangements with any stock exchange, self-regulatory organization, securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country for the exchange of any information (including information obtained by the Corporation pursuant to the Rules or otherwise in its possession) and for other forms of mutual assistance for market surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.

16.9. The Corporation, its officers, a District Council, or any other committee of the Corporation authorized by the Board of Directors may provide to any stock exchange, self-regulatory organization, securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country any information obtained by the Corporation or any of the aforesaid persons or Councils pursuant to the Rules or otherwise in their possession and may provide other forms of assistance for surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.

16.10. Each Dealer Member shall be liable for and pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member, its auditors or any person acting on its behalf, to file any report, form, financial statement or other information required under this Rule 16 within the times prescribed by this Rule 16, the Board of Directors, the Corporation or the terms of such report, form, financial statement or other information, as the case may be.

RULE 17

DEALER MEMBER MINIMUM CAPITAL, CONDUCT OF BUSINESS AND INSURANCE

17.1. Every Dealer Member shall have and maintain at all times risk adjusted capital greater than zero calculated in accordance with Form 1 and with such requirements as the Board of Directors may from time to time prescribe. If at any time the risk adjusted capital of a Dealer Member is, to the knowledge of such Dealer Member, less than zero, such Dealer Member shall immediately notify the Corporation.

17.2. Every Dealer Member shall keep and maintain at all times a proper system of books and records.

17.2A. Every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600.

17.3. All fully paid or excess margin securities held by a Dealer Member for a client shall be segregated and identified as being held in trust for such client in accordance with the Rules. For the purposes of Rules 17.3, 17.3A and 17.3B, a client means any person who maintains an account with a Dealer Member.

17.3A. The securities of all clients of a Dealer Member held in accordance with Rule 17.3 may be segregated in bulk for all such clients, other than those clients whose securities are held apart from all other securities pursuant to a written safekeeping agreement.

17.3B. The Board of Directors may prescribe by Rule the manner in which securities owned or held by a Dealer Member or held by a Dealer Member for the account of a client are to be segregated and held including, without limitation, the locations in which securities may be held and the manner in which the amount or value of securities to be segregated shall be calculated.

17.4. Every Dealer Member shall fulfil its contracts and any Dealer Member which in the ordinary course of business finds that any other Dealer Member refuses or is unable to fulfil its contracts shall immediately report such fact to the Corporation.

17.5. Every Dealer Member shall effect and keep in force insurance against such losses, and in such minimum amount or amounts in respect of such losses or any of them, as the Board of Directors may from time to time by Rule prescribe.

17.6. Every Dealer Member shall give to the Corporation written notice, with all available particulars, of any claim (other than client losses relating to lost document bonds)

reported in writing by the Dealer Member to its insurers or their authorized representatives arising under the Financial Institution Bond or Bonds which such Dealer Member is required to effect and keep in force under Rule 400.2. Such notice shall be given within two business days of the Dealer Member so reporting to the insurer or its authorized representative.

17.7. Upon application by a Dealer Member, the applicable District Council on the recommendation of the Corporation may, in its discretion, reduce the minimum amount of insurance required to be maintained by a Dealer Member pursuant to Rule 400.4 if such Dealer Member can establish that the total exposure of such Dealer Member to the types of losses referred to in Rule 400.2 will not exceed the minimum amount of insurance required by Rule 400.4.

17.8. A reduction in the minimum amount of insurance required which is granted pursuant to Rule 17.7 shall be valid for a period of six months, after which it may be renewed upon application by the Dealer Member to the applicable District Council which shall only act after receiving the recommendation of the Corporation.

17.9. An application of a Dealer Member pursuant to 17.7 and 17.8 shall be made to the applicable District Council in care of the Corporation.

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17.16 Every Dealer Member shall establish and maintain a business continuity plan identifying the necessary procedures to be undertaken during an emergency or significant business disruption. Such procedures shall be reasonably designed to enable the Dealer Member to stay in business in the event of a future significant business disruption in order to meet obligations to its customers and capital markets counterparts and shall be derived from the Dealer Member's assessment of its critical business functions and required levels of operation during and following a disruption.

Every Dealer Member shall update its plan in the event of any material change to its operations, structure, business or location. Every Dealer Member must also conduct an annual review and test of its business continuity plan to determine whether any modifications are necessary in light of changes to the member's operations, structure, business, or location. The Corporation, in its discretion, may require this annual review to be performed by a qualified third party.

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RULE 30

EARLY WARNING SYSTEM

30.1. A Dealer Member shall be designated in early warning level 1 or level 2 according to its capital, profitability and liquidity position from time to time and frequency of

designation or at the discretion of the Corporation as provided in this Rule 30. The terms and definitions used in this Rule shall have the same meanings as used in Statement C and Schedules 13 and 13A to Form 1 of the Corporation, unless otherwise defined in the Rules or the context requires, and reference shall be made to such Statement and Schedules in interpreting this Rule 30.

30.2 LEVEL 1.

A Dealer Member shall be designated in early warning level 1 if at any time:

Liquidity

Its early warning reserve is a negative number; or

Capital

Its risk adjusted capital is less than 5% of total margin required; or

Profitability

1. The quotients obtained by dividing each of
   (a) Risk adjusted capital as at the date of calculation; and
   (b) Risk adjusted capital as at the end of the preceding month.

   By the average of the net profit or loss (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) for the six month periods ending with (i) the current month and (ii) the preceding month, respectively, where such average is a loss, are both greater than or equal to three but less than six, or
   (c) The quotient obtained using the number in paragraph (a) as a divisor is greater than or equal to three but less than six and the quotient using the number in paragraph (b) as a divisor is less than three; or
2. The risk adjusted capital at the time of calculation is less than six times the net loss (as defined above) for the current month; or

Discretionary

The condition of the Dealer Member, in the sole discretion of the Corporation, is not satisfactory for any reason including, without limitation, financial or operating difficulties, problems arising from record keeping conversion or significant changes in clearing methods, the fact that the Dealer Member is a new Dealer Member or the Dealer Member has been late in any filing or reporting required pursuant to the Rules.

30.3. If a Dealer Member is designated in early warning level 1 then, notwithstanding the provisions of any Rule (other than Rule 30.5) or Ruling of the Corporation, the following provisions shall apply:

(i) The chief executive officer and chief financial officer of the Dealer Member shall immediately deliver to the Corporation a letter containing the following:
   (1) Advice of the fact that any of the circumstances in Rule 30.2 are applicable;

(2) An outline of the problems associated with the circumstances referred to in (1);

(3) An outline of the proposal of the Dealer Member to rectify the problems identified; and

(4) An acknowledgement that the Dealer Member is in early warning category and that the restrictions contained in Rule 30.3(iv) apply;

A copy of which letter shall be provided to the Dealer Member's auditor and to the Canadian Investor Protection Fund;

(ii) The Corporation shall immediately designate the Dealer Member as being in an early warning category level 1 and shall deliver to the chief executive officer and chief financial officer a letter containing the following:

(1) Advice that the Dealer Member is designated as being in early warning category level 1;

(2) A request that the Dealer Member file its next monthly financial report required pursuant to Rule 16.2 no later than 15 business days or, in the discretion of the Corporation if he or she considers it to be practicable, such earlier time following the end of the relevant month;

(3) A request that the Dealer Member respond to the letter as required under paragraph (iii) and that such response, together with the notice received pursuant to paragraph (i), will be forwarded to the Canadian Investor Protection Fund and may be forwarded to any securities commission having jurisdiction over the Dealer Member;

(4) Advice that the restrictions referred to in paragraph (iv) shall apply to the Dealer Member;

(5) Such other information as the Corporation shall consider relevant;

(iii) The chief executive officer and the chief financial officer of the Dealer Member shall respond by letter signed by them both within five business days of receipt of the letter referred to in paragraph (ii), with a copy to be sent to the Dealer Member's auditor, containing the information and acknowledgement required pursuant to paragraphs (1)(2), (3) and (4), to the extent not previously provided, or an update of such information if any material circumstances or facts have changed.

(iv) If and so long as the Dealer Member remains designated as being in an early warning category, it shall not without the prior written consent of the Corporation:

(1) Reduce its capital in any manner including by redemption, re-purchase or cancellation of any of its shares;

(2) Reduce or repay any indebtedness which has been subordinated with the approval of the Corporation;

(3) Directly or indirectly make any payments by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets to any director, officer, partner, shareholder, related company, affiliate or associate; or

(4) Increase its non-allowable assets (as specified by the Corporation) unless a prior binding commitment to do so exists or enter into any new commitments which would have the effect of materially increasing the non-allowable assets of the Dealer Member;

(v) If and so long as the Dealer Member remains designated as being in an early warning category it shall continue to file its monthly financial reports within the time specified pursuant to clause (2) of Rule 30.3(ii);

(vi) As soon as practicable after the Dealer Member is designated as being in an early warning category, the Corporation shall conduct an on-site review of the Dealer Member's procedures for monitoring capital on a daily basis and prepare a report as to the results of the review.

The Corporation shall also report monthly to the applicable District Council of the Corporation of the fact that a Dealer Member has been designated as being in an early warning category level 1 without naming the Dealer Member.

No Dealer Member shall enter into any transaction or take any action, as described in any of sub-clauses (1), (2), (3) or (4) of clause (iv) of this Rule 30.3 which, when completed, would have or would reasonably be expected to have the effect on the Dealer Member as described in any of paragraphs (a), (b), (c) or (d), without first notifying the Corporation in writing of its intention to do so and receiving the written approval of the Corporation prior to implementing such transaction or action.

30.4 LEVEL 2.

A Dealer Member shall be designated in early warning level 2 if at any time:

Liquidity

Its early warning excess is a negative number; or

Capital

Its risk adjusted capital is less than 2% of total margin required; or

Profitability

1. The quotients obtained by dividing each of

(a) Risk adjusted capital as at the date of calculation; and

(b) Risk adjusted capital as at the end of the preceding month,

By the average of the net profit or loss (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) for the six month periods ending with (i) the current month and (ii) the preceding month, respectively, where such average is a loss, are

(c) Both less than three, or

(d) The quotient obtained by using the number in paragraph (b) as a divisor is greater than or equal to three but less than six, and the quotient obtained by using the number in paragraph (a) is less than three, or

2. The risk adjusted capital at the date of calculation is less than three times the net loss (as defined above) for the current month; or

3. The risk adjusted capital at the time of calculation is less than the total net profit or loss (as defined above) for the three months ending with the current month; or

Discretionary

The condition of the Dealer Member, in the sole discretion of the Corporation, is not satisfactory for any reason including, without limitation, financial or operating difficulties, problems arising from record keeping conversion or significant changes in clearing methods, the fact that the Dealer Member is a new Dealer Member or the Dealer Member has been late in any filing or reporting required pursuant to the Rules.

Frequency

1. It has been designated in an early warning level (any combination of levels 1 and 2) three or more times in the preceding six months; or

2. It has been designated in early warning level 1 under the Profitability criteria and at the time has been designated in early warning level 1 under either the Liquidity or Capital criteria.

30.5 If the Dealer Member is designated as being in early warning level 2, the following provisions shall apply in addition to the provisions of Rule 30.3 which shall continue to apply except to the extent inconsistent with this Rule 30.5:

(a) The chief executive officer and the chief financial officer of the Dealer Member shall immediately deliver to the Corporation a letter advising that the circumstances of this Rule 30.5 are applicable to the Dealer Member;

(b) The Dealer Member shall file its monthly financial reports required pursuant to Rule 16.2 no later than 10 business days, or, in the discretion of the Corporation if considered to be practicable, such earlier time following the end of the relevant month;

(c) The chief executive officer and the chief financial officer of the Dealer Member shall attend at the offices of the Corporation to outline the proposals of the Dealer

Member for rectifying the problems which account for the Dealer Member being designated as being in early warning category Level 2;

(d) The Dealer Member shall file a weekly capital report containing the same information required in a monthly financial report pursuant to Rule 16.2 no later than five business days or, in the discretion of the Corporation if considered to be practicable, such earlier time following the end of the relevant week;

(e) The Dealer Member shall file weekly on a form prescribed by the Corporation a report of its aged segregation deficiencies and an explanation of the actions proposed to be taken pursuant to Rule 2000.10 to correct such deficiencies;

(f) The Dealer Member shall prepare and file a business plan relating to the Dealer Member's business within such time, for such period and covering such matters as the Corporation may direct;

(g) The Corporation may request and the Dealer Member shall provide in such time as the Corporation considers practicable, such reports or information, on a daily or a less frequent basis, as may be necessary or desirable in the opinion of the Corporation to assess and monitor the financial condition or operations of the Dealer Member;

(h) The Corporation shall report monthly to the applicable District Council of the Corporation of the fact that a Dealer Member has been designated as being in an early warning category level 2 and any restrictions imposed in respect to Rule 30.6 without naming the Dealer Member;

(i) The Dealer Member shall pay, at the discretion of the Corporation, the reasonable costs and expenses of the Corporation incurred in connection with the administration of this Rule 30 in respect of the Dealer Member;

(j) The amount of client's free credit balances permitted to be used by a Dealer Member pursuant to Rule 1200 may be reduced to such amount as the Corporation may in his or her opinion consider desirable.

30.6 The Corporation may impose prohibitions upon a Dealer Member who is designated, as being in Early Warning Category Level 2 pursuant to Part 9 of Rule 20.

30.7 The Corporation shall promptly advise any other participating institution of the Canadian Investor Protection Fund of which a Dealer Member is also a member of the fact that the Dealer Member has been designated as being in early warning category level 2, the reasons for such designation and any sanctions or restrictions that have been imposed upon the Dealer Member pursuant to Part 9 Rule 20 or Rule 19.

30.8 A Dealer Member shall remain designated as being in early warning level 1 or level 2, as the case may be, and subject to the provisions in this Rule 30 as are applicable, until the latest filed monthly financial reports of the Dealer Member, or such other evidence or assurances as may be appropriate in the circumstances demonstrate, in the opinion of

the Corporation, that the Dealer Member no longer is required to be designated as being in an early warning category and the Dealer Member has otherwise complied with this Rule 30.

RULE 100

MARGIN REQUIREMENTS

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100.17.

(a) For the purposes of this Rule 100.17 "repo" means an agreement to sell and repurchase securities, "reverse repo" means an agreement to purchase and resell securities and "securities loan" means a cash and securities loan agreement where cash is to be paid by or delivered to the Dealer Member as part of the transaction.

(b) Notwithstanding the requirements of Form 1 to make any provision out of a Dealer Member's capital in respect of a repo, reverse repo or securities loan, where (i) the date of repurchase, resale or termination of the loan, as the case may be, is determined at the time of entering into the transaction, and (ii) the amount of any compensation, price differential, fee, commission of other financing charge to be paid in connection with the repurchase, resale or loan is calculated according to a fixed rate (whether expressed as a price, a decimal or percentage per annum or any other manner that does not vary until termination), the margin in respect of the obligation of the Dealer Member thereunder shall be determined in accordance with Rule 100.2(a)(i), provided that this paragraph (b) shall not apply in the case of an overnight repo, reverse repo or securities loan which for the purposes of this Rule shall be an obligation to repurchase, resell or terminate the loan within five business days of the date the obligation is assumed. All calculations must be performed daily and shall make full provision for any principal and return of capital then payable, all accrued interest, dividends or other distributions on securities used as collateral.

(c) Where a Dealer Member (i) has entered into a repo, reverse repo or securities loan described in paragraph (b) and in respect of which the time to the date of repurchase, resale or termination of the loan, as the case may be, is over one year, and (ii) has an offsetting reverse repo, repo or securities loan denominated in the same currency and within the same margin category based on maturity, the two positions may be offset and the required margin computed with respect to the net position only.

(d) Where a Dealer Member (i) has entered into a repo, reverse repo or securities loan described in paragraph (b) in respect of which the time to the date of repurchase, resale or termination of the loan is within one year, and (ii) has an offsetting reverse repo, repo or securities loan, as the case may be, denominated in the same currency and maturing

within one year, the margin required shall be the difference between the margin on the two positions.

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RULE 200

MINIMUM RECORDS

200.1. As required under Rule 17.2 every Dealer Member shall make and keep current books and records necessary to record properly its business transactions and financial charts including, without limitation:

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(k) A record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of risk adjusted capital. Such trial balances and computations shall be prepared currently at least once a month;

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(m) a record of the proof of money balances of all ledger accounts in the form of trial balances and record of a reasonable calculation of minimum risk adjusted capital prepared for each month within a reasonable time after each month end; and

RULE 300

AUDIT REQUIREMENTS

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300.2. The scope of the audit shall include the following procedures, but nothing herein shall be construed as limiting the audit or permitting the omission of any additional audit procedure which any Dealer Member's Auditor would deem necessary under the circumstances. For purposes of this regulation tests fall into two basic categories (as described in CICA Handbook section 5300.11 to 5300.21):

(i) Specific item tests, whereby the auditor examines individual items which he or she considers should be examined because of their size, nature or method of recording (CICA Handbook Section 5300.13);

(ii) Representative item tests, whereby the auditor's objective is to examine an unbiased selection of items (Section 5300.13).

The determination of an appropriate sample on a representative basis may be made using either statistical or non-statistical methods (CICA Handbook Section 5300.15).

In determining the extent of the tests appropriate in sub-sections (i), (ii), (iii) and (iv) of (a) below, the Dealer Member's Auditor should consider the adequacy of the system of

internal control and the level of materiality appropriate in the circumstances so that in the auditor's professional judgment the risk of not detecting a material misstatement, whether individually or in the aggregate is reduced to an appropriately low level (e.g. in relation to the estimated risk adjusted capital and early warning reserves).

The Dealer Member's Auditor shall:

(a) As of the audit date:

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(vii) Obtain written confirmation with respect to the following:

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(2) Money, security positions and open commodity and option contracts including deposits with clearing houses and like organizations and money and security positions with mutual fund companies;

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RULE 400

INSURANCE

400.1. Mail Insurance - Every Dealer Member shall have mail insurance that covers 100% of losses arising from any out-going shipments of securities, negotiable or non-negotiable, by registered mail. The Corporation may exempt a Dealer Member from the requirements of Rule 400.1 if the Dealer Member delivers a written undertaking to the Corporation that it will not use registered mail for out-going shipments of securities.

400.2. Financial Institution Bond - Every Dealer Member shall, by means of a Financial Institution Bond or Bonds (with Discovery Rider attached or Discovery Provisions incorporated in the Bond), effect and keep in force insurance against losses arising as follows:

Clause (A) - Fidelity - Any loss through any dishonest or fraudulent act of any of its employees, committed anywhere and whether committed alone or in collusion with others, including loss of property through any such act of any of the employees;

Clause (B) - On Premises - Any loss of money and securities or other property through robbery, burglary, theft, hold-up or other fraudulent means, mysterious disappearance, damage or destruction while within any of the insured's offices, the offices of any banking institution or clearing house or within any recognized place of safe-deposit, as more fully defined in the Standard Form of Financial Institution Bond (herein referred to as the "Standard Form");

Clause (C) - In Transit - Any loss of money and securities or other property (exceptions to be contained in a list to be approved by the Corporation); while in transit, whether negotiable or non-negotiable, shall be covered by insurance. The value of securities in transit in the custody of any employee or any person acting as a messenger shall not at any time exceed the protection provided under this clause;

Clause (D) - Forgery or Alterations - Any loss through forgery or alteration of any cheques, drafts, promissory notes or other written orders or directions to pay sums in money, excluding securities, as more fully defined in the Standard Form;

Clause (E) - Securities - Any loss through having purchased or acquired, sold or delivered, or extended any credit or acted upon securities or other written instruments which prove to have been forged, counterfeited, raised or altered, or lost or stolen, or through having guaranteed in writing or witnessed any signatures upon any transfers, assignments or other documents or written instruments, as more fully defined in the Standard Form.

400.3. Notice of Termination - Each Financial Institution Bond maintained by a Dealer Member shall contain a rider containing provisions to the following effect:

(i) The underwriter shall notify the Corporation at least 30 days prior to the termination or cancellation of the Bond, except in the event of termination of the Bond due to:

(A) The expiration of the Bond period specified;

(B) Cancellation of the Bond as a result of the receipt of written notice from the insured of its desire to cancel the Bond;

(C) The taking over of the insured by a receiver or other liquidator, or by provincial, federal or state officials, or

(D) Taking over of the insured by another institution or entity.

(ii) In the event of termination of the Bond as an entirety in accordance with clauses (i)(B), (i)(C) or (i)(D), the underwriter shall, upon becoming aware of such termination, give immediate written notice of the termination to the Corporation. Such notice shall not impair or delay the effectiveness of the termination.

400.3B. Termination or Cancellation - In the event of the take-over of a Dealer Member by another institution or entity as described in paragraph 400.3(a)(i)(D), the Dealer Member shall ensure that there is bond coverage which provides a period of twelve months from the date of such take-over within which to discover the losses, if any, sustained by the Dealer Member prior to the effective date of such take-over and the Dealer Member shall pay, or cause to be paid, any applicable additional premium.

400.4. Amounts Required - The minimum amount of insurance to be maintained for each Clause under Rule 400.2 shall be the greater of:

(a) $500,000, or, in the case of an Introducing Type 1 arrangement, $200,000; and

(b) 1% of the base amount (as defined herein), or in the case of Introducing Types 1 and 2 arrangements, ½% of the base amount;

provided that for each Clause such minimum amount need not exceed $25,000,000.

For the purposes of this Rule 400, the term "base amount" shall mean the greater of:

(i) The aggregate of net equity for each customer determined as the total value of cash, securities, and other acceptable property (as defined in Schedule 10 of Form 1) owed to the customers by the Dealer Member less the total value of cash, securities, and other acceptable property (as defined in Schedule 10 of Form 1) owed by the customers to the Dealer Member; and

(ii) The aggregate of total liquid assets and total other allowable assets of the Dealer Member determined in accordance with Statement A of Form 1.

400.5. Provisos with respect to Rules 400.2, 400.3 and 400.4:

(a) Repealed.

(b) The amount of insurance required to be maintained by a Dealer Member shall as a minimum be by way of a Financial Institution Bond with a double aggregate limit or a provision for full reinstatement;

(c) Should there be insufficient coverage, a Dealer Member shall be deemed to be complying with Rule 17.5 and this Rule 400 provided that any such deficiency does not exceed 10 percent of the insurance requirement and that evidence is furnished within two months of the dates of completion of the monthly financial report and the annual audit that the deficiency has been corrected. If the deficiency is 10% or more of the insurance requirement, action must be taken by the Dealer Member to correct the deficiency within 10 days of its determination and the Dealer Member shall immediately notify the Corporation;

(d) Insurance against Clause (E) of Rule 400.2 losses (Securities) may be incorporated in the Financial Institution Bond or may be carried by means of a Rider attached thereto or by a Separate Securities Forgery Bond;

(e) A Financial Institution Bond maintained pursuant to Rule 400.2 may contain a clause or rider stating that all claims made under the bond are subject to a deductible;

(f) For the purposes of calculating insurance requirements, no distinction is to be made between securities in non-negotiable form and those in negotiable form.

400.6. Qualified Carriers - Insurance required to be effected and kept in force by a Dealer Member pursuant to this Rule 400 may be underwritten directly by either (i) an insurer registered or licensed under the laws of Canada or any province of Canada or (ii) any foreign insurer approved by the Corporation. No foreign insurer shall be approved by the Corporation unless the insurer has the minimum net worth required of $75

million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection and the Corporation is satisfied that the insurer is subject to supervision by regulatory authorities in the jurisdiction of incorporation of the insurer which is substantially similar to the supervision of insurance companies in Canada.

400.7. Global Financial Institution Bonds - Where the insurance maintained by a Dealer Member in respect of any of the requirements under this Rule 400 names as the insured or benefits the Dealer Member, together with any other person or group of persons, whether within Canada or elsewhere, the following must apply:

(a) The Dealer Member shall have the right to claim directly against the insurer in respect of losses, and any payment or satisfaction of such losses shall be made directly to the Dealer Member; and

(b) The individual or aggregate limits under the policy may only be affected by claims made by or on behalf of

(i) The Dealer Member,

(ii) Any of the Dealer Member's subsidiaries whose financial results are consolidated with those of the Dealer Member, or

(iii) A holding company of the Dealer Member provided that the holding company does not carry on any business or own any investments other than its interest in the Member

without regard to the claims, experience or any other factor referable to any other person

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RULE 800

TRADING AND DELIVERY

General

800.1. Unless otherwise stated this Rule 800 shall apply to all Dealer Members and to members of other associations subscribing to the Corporation's Trading and Delivery Rules (hereinafter sometimes called "dealers").

800.2. Dealer Members will not become or continue as members of any trading organization or association formed as kindred to the bond business and domiciled in Canada unless such an association has as part of its constitution or regulations an agreement by all its members to concur in and observe the Rules for trading and delivery practices of the Corporation.

800.3. Clearing days are defined as being all business days, except Saturdays and statutory or other legal holidays.

800.4. In this Rule 800 "dealt in" and words of similar import refer to transactions in securities between dealers.

800.5. All securities having interest payable as a fixed obligation shall be dealt in on an "accrued interest" basis until maturity or a default in such payment either occurs or is announced by the debtor, whichever is the earlier event. This Rule 800.5 may be abrogated from time to time in specific cases where common practice and expediency prompt such action; due notice of such special instances to be given to all Dealer Members.

800.6. Sales made of securities prior to actual default or official announcement as specified in Rule 800.5, but undelivered at the time of default or such announcement, shall be dealt in on an "accrued interest" basis in accordance with the terms of the original transaction.

800.7. Subsequent to default or official announcement as specified in Rule 800.5, the securities shall be dealt in on a flat basis with all matured and unpaid coupons attached, until such time as all arrears of interest have been paid and one current coupon has been paid when due.

800.8. Transactions in bonds having coupons payable out of income, if, as and when earned, shall all take place upon a flat basis. Any matured and unpaid income coupons must be attached. Income bonds which have been called for redemption, should continue to be traded on a flat basis even after the call date has been published.

800.9. When transactions occur in bonds the issuers which have been subject to reorganization or capital adjustment with the result that holders have received as a bonus or otherwise, certain stock or scrip then such transactions shall be ex stock or scrip, unless otherwise stated at the time the trade is made. Such bonds shall be traded flat until such time as all arrears have been paid and one current coupon has been paid when due, except where the Board of Directors shall determine otherwise.

800.10. No security, with the exception of a new issue at take down date, shall be registered in the name of the customer or his or her nominee prior to the receipt of payment. The absorption by a Dealer Member of bank or other charges incurred by a customer or his or her nominee for the registration of a security will be considered an infraction of this Rule. A Dealer Member may absorb transfer fees incurred in the transfer of a security after payment according to a customer's instructions.

800.11. Dealer Members will not deal, either directly or indirectly, with or for the personal account of any employee of other Dealer Members without the written consent of a director or partner of the employee's firm.

800.12. Dealer Members, for the purpose of communication between themselves, will be responsible for the payment of their own telephone charges and send only prepaid telegrams.

800.13. No transaction with a client which involves an agreement to purchase or repurchase a security, an agreement to sell or resell a security or the granting of a put, call or similar option involving a security shall be entered into unless all terms relevant to the transaction are stated in writing on the face of the contract. (If necessary, part of such terms may be set forth on an additional page attached to the contract provided that they are referred to on the face of the contract.)

800.14. Should any Dealer Member be in doubt as to whether a specific type of transaction is forbidden under this Rule 800, it is recommended that he or she secure a ruling on a similar hypothetical case from the Chair of his or her District.

800.15. The purpose of these Rules is to spell out as far as practical what can be done under these Rules without breaking the letter or the spirit of them. It is common knowledge that there are innumerable ways of circumventing the purposes of the Rules, but any such method so adopted can only be considered a direct contravention of the letter and spirit of these Rules and contrary to fair business practice.

Trading

(Whether as Principal or Agent)

800.16. All transactions, except sale and repurchase agreements, involving bonds and debentures on which interest is a fixed obligation shall be treated on an accrued interest basis.

800.17. Repealed.

800.18. Repealed.

800.19. Unless prefixed by some qualifying phrase, a Dealer Member calling a market shall be obliged to trade Trading Units (as hereinafter defined) if called upon to trade.

800.20. Any Dealer Member asking the size of a stated market must be prepared to buy or sell at least a Trading Unit (as hereinafter defined) at the price quoted if immediately requested to do so by the Dealer Member calling the market.

800.21. Trading Units shall consist of the following:

(a) In the case of Government of Canada direct obligations and Government of Canada Guaranteed obligations having an unexpired term of less than one year to maturity (or to the earliest call date, where the transaction is completed at a premium): $250,000 par value;

(b) In the case of Government of Canada direct obligations and Government of Canada Guaranteed obligations having an unexpired term of one year or longer but three years or less to maturity (or to the earliest call date, where the transaction is completed at a premium): $100,000 par value;

(c) In the case of Government of Canada direct obligations and Government of Canada Guaranteed obligations having an unexpired term to maturity of longer

than three years (where the bond is traded at a premium, the earliest call date shall be treated as the maturity date): $100,000 par value;

(d) In the case of bonds, debentures and other obligations of or guaranteed by a province in Canada: $25,000 par value;

(e) In the case of all other bonds and debentures other than Government of Canada direct obligations and Government of Canada Guaranteed obligations and bonds, debentures and other obligations of or guaranteed by a province in Canada: $25,000 par value;

(f) In the case of bonds, convertible debentures or debentures issued with attached stock warrants, rights or other appendages and traded in unit form: $5,000 par value of bonds or debentures, irrespective of the value of the appendages;

(g) In the case of common and preferred shares not listed on a recognized stock exchange:

- In lots of 500 shares, if market price is below $1
- In lots of 100 shares, if market price is at $1 and below $100
- In lots of 50 shares, if market price is at $100 or above.

For the purpose of this Rule 800 a recognized stock exchange means the American Stock Exchange, The TSX Venture Exchange, the Montreal Exchange, the New York Stock Exchange and The Toronto Stock Exchange.

800.22. Any amount less than one Trading Unit shall be considered as an odd lot and any Dealer Member who has been requested to call a market has the option to trade an odd lot at the called market (if so requested) or to adjust his market to compensate for the smaller amount involved.

800.23. Rules 800.19, 800.20, 800.21 and 800.22 shall not apply to dealings in the Pacific, Alberta, Saskatchewan, Manitoba or Atlantic Districts or to dealings between the said Districts. They shall apply to all dealings in the Ontario and Quebec Districts and to all dealings between the Ontario and/or Quebec Districts and any other District or Districts.

800.24. Unless otherwise stated at the time of the transaction, all trades are to be considered for regular delivery.

800.25. When a deal involves the sale of more than one maturity or the purchase or more than one maturity, the deal covering each maturity shall be treated as a separate transaction. No contingent (all or none) dealings are permitted.

800.26. In trading securities which are dealt in both as actual bonds, debentures, or other forms of securities and as certificates of deposit, and in the absence of an existing ruling making them interchangeable for delivery, delivery shall be made in the form of actual securities unless it is stipulated at the time of the transaction that they are (a)

certificates of deposit, or (b) unspecified; in the latter case, either actual securities or certificates of deposit or mixed, shall be good delivery.

Delivery

800.27. All transactions are to be consummated upon the following regular delivery terms unless at the time each individual transaction takes place alternative terms are agreed upon and confirmed in writing:

(a) In the case of Government of Canada Treasury Bills regular delivery shall be for the same day as the transaction takes place;

(b) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds except Treasury Bills) having an unexpired term of three years or less to maturity (or to the earliest call date where a transaction is completed at a premium) regular delivery shall involve the stopping of accrued interest on the second clearing day after the transaction takes place;

(c) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date) and all provincial, municipal, corporation and other bonds or debentures, stock, or other certificates of indebtedness including (subject to clause (f)) mortgage-backed securities, regular delivery shall involve the stopping of accrued interest, where applicable, on the third clearing day after the transaction takes place;

(d) Nothing herein contained shall in any way interfere with the common practice of dealing in new issues during the period of original distribution on an "accrued interest to delivery" basis with the exception that regular delivery Rules will come into effect the appropriate number of clearing days prior to the new issue securities being first available for physical delivery;

Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest shall be charged from the delivery date at the initial syndicate delivery point(s) of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made;

(e) Sellers and buyers are both obliged to mail or deliver contracts of confirmation to a transaction each to the other the same day or within a maximum of one working day after a transaction is made;

(f) A trade in a mortgage-backed security made during a commitment period shall be entered into for delivery on the first clearing day on or after the fifteenth calendar day of the month. For the purposes of this clause (g), "commitment period" means the period from the third clearing day before month-end to the first

clearing day on or before the eleventh calendar day of the following month, inclusive.

800.28. All transactions between Dealer Members doing business in different municipalities are to be completed on buyers' terms, i.e. delivery to be made free of banking and/or shipping charges to the buyer. Where drafts are drawn to arrive at their destination on other than a clearing day, the seller is entitled to have charges paid up to the next clearing day after the expected arrival of such draft.

800.29. In the case of dealings between Dealer Members in the same municipality, physical delivery by the seller should be completed before 5:30 p.m. on a clearing day, except for dealings between Participants, as defined in Rule 800.30A, which shall be settled in accordance with the rules of the applicable Settlement Service.

800.30. For the purpose of this Rule 800 and subject to any other Rule or Ruling expressly providing otherwise, good delivery between Dealer Members shall consist of the following, provided it is acceptable to the relevant transfer agent:

(a) Bonds/Debentures

Good delivery may consist of bearer bonds/debentures or registered bonds/debentures.

Bonds and/or debentures that are dealt with in registered form shall be good delivery if:

(i) Registered in the name of an individual, duly endorsed and with endorsement guaranteed by a Dealer Member in good standing of the Corporation or a recognized stock exchange, or by a chartered bank or qualified Canadian trust company;

(ii) Registered in the name of a Dealer Member or nominee of a Dealer Member and duly endorsed;

(iii) Registered in the name of a member of a recognized stock exchange and duly endorsed;

(iv) Registered in the name of a chartered bank or qualified Canadian trust company or the nominee of a chartered bank or qualified trust company and duly endorsed;

(v) In denominations as indicated below duly endorsed or with completed Power of Attorney to transfer attached. (One Power of Attorney for each certificate in question or an amalgamated Power of Attorney if acceptable to receiving broker or dealer.)

In all cases, endorsement guarantees acceptable to the relevant registrars and transfer agents must be procured by the seller and accompany delivery.

Interim certificates shall be considered good delivery as long as definitive certificates are not available. Once definitives are available, interims shall not be considered good delivery, unless by mutual agreement.

Bonds and debentures up to a maximum denomination of $100,000 par value shall constitute good delivery.

Denominations other than those specified above constitute good delivery only if acceptable to the buyer.

(b) Stocks

(i) Certificates registered in the name of:

(I) An individual, endorsed by the registered holder in exactly the same manner as registered and the endorsement guaranteed by a Dealer Member or by a member of a recognized stock exchange or by a chartered bank or qualified Canadian trust company; Where the endorsement does not exactly correspond to the registration shown on the face of the certificate, a certification by a Dealer Member or by a member of a recognized stock exchange that the two signatures are those of one and the same person or by a chartered bank or qualified Canadian trust company;

(2) A Dealer Member or a member of a recognized stock exchange or a nominee of either and duly endorsed;

(3) A chartered bank or qualified Canadian trust company or the nominee of a chartered bank or qualified Canadian trust company and duly endorsed by a Dealer Member;

(4) Any other manner providing it is properly endorsed and the endorsement is guaranteed by a Dealer Member or by a member of a recognized stock exchange or by a chartered bank or qualified Canadian trust company; and

(ii) Certificates in board lot denominations (or less) as required by the exchange on which the stock is traded.

Unlisted stocks should also be in denominations similar to listed stocks in the same category and price range.

(c) For the purpose of this Rule 800 "qualified Canadian trust company" means a trust company licensed to do business in Canada with a minimum paid up capital and surplus of $5,000,000.

800.30A. For the purposes of Rule 800:

"**CDS**" means The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée;

"**Participant**" means a participant in a Settlement Service;

"**Settlement Service**" means a securities settlement service made available by CDS.

800.30B. Dealer Members who are Participants shall report all trades between Participants of securities to which a Settlement Service applies in accordance with the procedures of the applicable Settlement Service.

Delivery through CDS

800.30C. Good delivery of securities between Dealer Members which are Participants and any other Participants may be made by entries in the records maintained by CDS.

All trades between Participants in securities to which a Settlement Service applies shall be settled through such Settlement Service unless both the deliverer and the receiver have agreed otherwise.

800.30D.

(a) For the purpose of this Rule 800.30D:

(i) "**Dealer Member User**" means a Dealer Member which is a party to a nominee facility agreement;

(ii) "**Dealer Member Non-user**" means a Dealer Member, which is not a party to a nominee facility agreement;

(iii) "**Non-member User**" means a corporation, firm, person or other entity, which is not a Dealer Member and is a party to a nominee facility agreement;

(iv) "**Non-member Non-user**" means a corporation, firm, person or other entity, which is not a Dealer Member and is not a party to a nominee facility agreement;

(v) "**Nominee Facility Agreement**" means an agreement in writing in a form satisfactory to the Corporation whereby The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée, the TSX Venture Exchange or any other person approved by the Corporation provides for the issuing of a nominee certificate evidencing an eligible security of an issuer;

(vi) "**Issuer**" means an issuer of securities designated by the Corporation as an issuer for the purpose of this Rule 800.30D;

(vii) "**Eligible Security**" means a security of an issuer designated by the Corporation as an eligible security for the purpose of this Rule 800.30D;

(viii) "**Nominee Certificate**" means a certificate issued by or on behalf of an issuer in respect of an eligible security in the name of a facility nominee in a form and manner satisfactory to the Corporation;

(ix) "**Facility Nominee**" means a nominee appointed by The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée or the TSX Venture Exchange or any other nominee, any of which nominees shall have been approved by the Corporation for the purposes and on the terms and conditions prescribed by the Corporation.

(b) Notwithstanding any other Rule relating to the delivery or good delivery of securities, but subject to Rule 800.30C, good delivery in eligible securities of an issuer,

(i) Between Dealer Member users and between Dealer Member users and non-Dealer Member users shall only be by nominee certificates except that, if a delivering non-Dealer Member user is a chartered bank or trust company licensed or registered to do business in Canada or a province thereof, good delivery may also be by certificates registered in the name of the delivering chartered bank or trust company or their respective nominees, clients or a nominee of their clients (provided that a Dealer Member or a non-Dealer Member user other than a chartered bank or trust company shall not be a nominee) and shall otherwise comply with Rule 800;

(ii) Between Dealer Member non-users and between delivering Dealer Member non-users and either non-Dealer Member users or non-Dealer Member non-users shall only be by certificates registered in the name of the receiving Dealer Member non-user, non-Dealer Member user or non-Dealer Member non-user, as the case may be, its client or the client's nominee and shall otherwise comply with Rule 800, provided that, if the receiving non-Dealer Member user or non-Dealer Member non--user is the client of the delivering Dealer Member non-user, certificates shall be in the name of the beneficial owner or such owner's nominee (which nominee shall not be a Dealer Member);

(iii) Between a delivering Dealer Member user and either a Dealer Member non-user or a non-Dealer Member non-user shall only be by certificates registered in the name of the receiving Dealer Member non-user or non-Dealer Member non-user, as the case may be, or their respective clients or their clients' nominees and shall otherwise comply with Rule 800 provided that, if the receiving non-Dealer Member non-user is the client of the delivering Dealer Member user, certificates shall be in the name of the beneficial owner or such owner's nominee (which nominee shall not be a Dealer Member);

(iv) Between a delivering Dealer Member non-user and a Dealer Member user shall be by certificates registered in the name of the delivering Dealer Member non-user, its client or the client's nominee and shall otherwise comply with Rule 800.

(c) Notwithstanding Rule 800.10, an eligible security may be registered by a Dealer Member in the name of, or in the name of a nominee of, a self-administered registered retirement savings plan registered under the Income Tax Act (Canada) prior to the receipt of payment therefore provided that the Dealer Member obtains

an unconditional guarantee of payment by the trust company administering the plan prior to such registration.

(d) Where delivery is made by certificates in the name of a receiving Dealer Member non-user, non-Dealer Member user, non-Dealer Member non-user or a client or the client's nominee in accordance with Rules 800.30D(b)(ii) or (iii), the delivering Dealer Member or Dealer Member non-user, as the case may be, shall be entitled to payment for such certificates immediately on its advising that the certificates are available for delivery, which advice may be subject to receipt of instructions as to registration and the effecting of registrations.

Delivery through WCDTC

800.30E. Repealed.

Uniform Settlement

800.31.

(a) No Dealer Member shall accept an order from a customer pursuant to an arrangement whereby payment of securities purchased or delivery of securities sold is to be made to or by a settlement agent of the customer unless all of the following procedures have been followed:

(i) The Dealer Member shall have received from the customer prior to or at the time of accepting the order the name and address of the settlement agent and account number of the customer on file with the agent. Where settlement is made through a depository offering an identification number system for the clients of settlement agents of the depository, the Dealer Member shall have the client identification number prior to or at the time of accepting the order and use the number in the settlement of the trade;

(ii) Each order accepted from the customer pursuant to such an arrangement is identified as either a delivery or receipt against payment trade;

(iii) The Dealer Member provides to the customer a confirmation by electronic, physical, facsimile or verbal means of all relevant data and information required to be contained in a confirmation made pursuant to Rule 200 with respect to the execution of the trade, in whole or in part, as early as possible on the next business day following such execution, provided that the Dealer Member shall comply with the requirements of Rule 200 to the extent it has not done so pursuant to this clause (iii);

(iv) The Dealer Member has obtained an agreement from the customer that the customer will furnish its settlement agent with instructions with respect to the receipt or delivery of the securities involved in the transaction promptly upon receipt by the customer of each such confirmation, or the relevant date and information as to each execution, relating to such order (even though

such execution represents the purchase or sale of only a part of the order), and that in any event the customer will ensure that its settlement agent affirms the transaction no later than the next business day after the date of execution of the trade to which the confirmation relates;

(v) The customer and its settlement agent shall utilize the facilities or services of a recognized securities depository for the affirmation and settlement of all depository eligible transactions through such facilities or services including book based or certificated settlement.

(b) For the purposes of Rule 800.31(a)

(i) "**Recognized Securities Depositories**" shall be The Canadian Depository for Securities Limited;

(ii) "**Depository Eligible Transactions**" shall mean trades in securities in respect of which affirmation and settlement can be performed through the facilities or services of a recognized securities depository.

(c) The provisions of paragraph (v) of Rule 800.31(a) shall not apply to trades:

(i) To be settled outside Canada; or

(ii) Where both the Dealer Member and the settlement agent are not participants in the same recognized securities depository or the same facilities or services of such depository required in respect of the trade.

(d) The provisions of this Rule 800.31 including the exemptions referred to in paragraph (c) shall be the subject of periodic review by the Corporation on its own or in consultation with any stock exchange or other entity or association representing or having regulatory authority in the Canadian securities industry.

800.32. For the purpose of this Rule 800 delivery of a bond, debenture or stock certificate of the type described below shall not constitute good delivery:

(a) A mutilated or torn certificate or coupon unless acceptable to receiving broker or dealer;

(b) A certificate registered in the name of a firm or corporation that has made an assignment for the benefit of creditors or has been declared bankrupt;

(c) A certificate signed by a Trustee or Administrator unless accompanied by sufficient evidence of authority to sign;

(d) A certificate with documents attached other than a registered bond of an issue available in registered form only, with completed Power of Attorney to transfer attached. (One Power of Attorney for each certificate or an amalgamated Power of Attorney if acceptable to receiving broker or dealer);

(e) A certificate which has been altered or erased (other than by the Transfer Agent) whether or not such alteration or erasure has been guaranteed;

(f) A certificate on which the assignment and/or substitute attorney has been altered or erased;

(g) A certificate with the next maturing coupon or subsequent coupons detached unless where so traded or where a certificate cheque (if for $1,000 or more) payable to the receiving Dealer Member, dated no later than the date of delivery and for the amount of the coupon(s) missing, is attached to the certificate in question;

(h) A bond or debenture, registered as to principal only, which after being transferred to Bearer, does not bear the stamp and signature of the Trustee;

(i) A registered bond, debenture or stock unless it bears a certificate that provincial tax has been paid where applicable;

(j) A certificate that has a stop transfer placed against it, the stop having been placed prior to delivery being made to the receiving dealer or broker.

800.33. Where dealings take place in bonds and/or debentures, available only in registered form:

(a) Dealings made from two days prior to a regular interest payment up to three days prior to the closing of the transfer books for the next interest payment, both days inclusive, shall be on an "and interest" basis. Unless delivery is completed to the buyer by twelve o'clock noon at a transfer point on the date of the closing of the transfer books for a regular interest payment, then the full amount of such interest payment shall be deducted by the seller after the calculation of interest on the regular delivery basis;

(b) Dealings made from two days prior to the closing of the transfer books up to and including three days prior to a regular interest payment shall be "less interest" from settlement date to the regular interest payment date.

800.34. Where dealings take place in unlisted registered shares, the shares shall be traded, ex dividend, ex rights, or ex payments two full business days prior to the record date. Where dealings take place in such registered shares which are not ex dividend, ex rights, or ex payments at the time the transaction occurs, the seller shall be responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates, if delivery is not completed prior to twelve o'clock noon at a transfer point on the date of the closing of the transfer books. Should the record date fall on a Saturday or other non-business day, for the purposes of this Rule it shall be presumed to be effective the business day previous.

800.35. Where interest on a transaction involves an amount greater than that represented by the half-yearly coupon, interest is to be calculated on the basis of the full amount of the coupon less one or two days, as the case may be.

800.36. Sales or purchases of securities prior to notice of call in part but not in full and undelivered on date of such notice, shall be completed on the basis of the original transaction. (Date of notice means the date of the notice of call irrespective of the date of publication of such notice.) Called securities do not constitute good delivery unless the transaction is so designated at its inception.

800.37. Sales or purchases of securities prior to notice of call in full and undelivered at time of such notice shall be completed on the terms of the original transaction.

800.38. The seller shall, at all times, be required to pay, or certify that payment has been made of, all taxes relative to the transaction, sufficient to enable the buyer to have the securities transferred to his or her nominee without tax cost to him or her. This rule shall not apply as to provincial transfer taxes if the buyer, by choice, transfers the securities to a register outside his or her own province, if there is a register within his or her province.

800.39. For the purpose of Rules 800.40 to 800.44 a "regular delivery transaction" shall be deemed to have taken place once the dealers involved have agreed on a price.

800.40. In the case of dealings between Dealer Members in the same municipality, should delivery not be advised by 11:30 a.m. on the fourth clearing day after a regular delivery transaction takes place, the buyer may at his or her option, give written notice to the seller and to the Corporation on that day, or any subsequent clearing day, prior to 3:30 p.m., of his or her intention to buy in for cash on the second clearing day after the original notice. Such notice shall automatically renew itself from clearing day to clearing day from 11:30 a.m. until closing until the transaction is finally completed. If the buy-in is not executed on the second clearing day after the original notice, then the seller shall have the privilege of advising the buyer each subsequent day before 11:30 a.m. of his or her ability, and intention, to make either whole or partial delivery on that day.

800.41. Where transactions occur between Dealer Members located in different municipalities, should delivery not have been received by the buyer at the expiration of four clearing days after the transaction takes place, on or after the fourth clearing day, the buyer may serve the seller with a buy-in by forwarding notice thereof over a public telegraph wire system, such notice to be timed at the sender's point not later than noon to be effective the third clearing day following and also advise the Corporation. If, prior to 5 p.m. buyer's time the day following the wired notice, the seller has not advised the buyer by public telegraph wire that the securities covered by the buy--in have passed through his or her clearing and are in transit to the buyer, then the buyer may on the third clearing day following the wired notice, proceed to execute such buy-in. While such wired buy-ins shall automatically renew themselves from clearing day to clearing day, the seller shall, except with the consent of the buyer, forfeit all right to complete

delivery of other than such portion of the transaction which is in transit by the day following the receipt of a wired buy-in.

800.42. Any Dealer Member who is bought in may demand evidence that a bona fide transaction has taken place involving delivery, and he or she shall have the right to deliver such part of his or her commitment as he or she is in a position to consummate to the nearest $1,000 par value, or stock Trading Unit as defined in Rule 800.21, coincidental with, the execution of the buy-in and as provided for in the preceding paragraphs.

800.43. The Corporation shall have the authority to postpone the execution of a buy-in from day to day, and to combine buy-ins in the same security and to decide any dispute arising from the execution of the buy-in and his or her decision shall be final and binding.

800.44. When a buy-in has been completed the buyer shall submit to the seller a statement of account showing as credits the amount originally contracted for as payment for the securities, and as debits, the amount paid on buy-in, the cost of the buyer's wire and telephone charges relative to the buy-in, and any bank or shipping charges incurred. Any credit balance remaining shall be paid to the seller by the buyer, and the seller shall be responsible for payment to the buyer of any remaining debit.

Dividend Claims

800.45. No Dealer Member shall make a certificate claim for dividends against another Dealer Member if the amount of such claim would be $5.00 or less.

Redemption Agents

800.46. No Dealer Member shall in respect of debt securities of any maturity pay to a client the redemption price or other amount due on redemption of such securities which price or amount exceeds $100,000 unless it shall first have received an amount equal to such price or other amount from the borrower or its agent by cheque certified by or accepted without qualification by a chartered bank (as defined in Rule 1.1) or payment has been received by or to the credit of the Dealer Member through the facilities of The Canadian Depository for Securities Limited or Depository Trust Company.

800.47. When Issued Trading

Unless otherwise provided by the Corporation or the parties to the trade by mutual agreement:

(a) All when issued trades made prior to the second trading day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security;

(b) When issued trades on or after the second trading day before the anticipated date of issue of the security shall settle on the third settlement day after the trade date; and

(c) If the security has not been issued on the date for settlement as set out in paragraph (a) or (b) above, such trades shall be settled on the date that the security is actually issued.

800.48. Accrued interest on trades in interest paying instruments which pay interest monthly shall be zero if the value date of the trade is an interest payment date. Otherwise, the accrued interest on such trades shall be calculated by multiplying the face amount of the instrument by the interest rate of the instrument and the number of days between the value date of the trade and the last interest payment date prior to the value date of the trade and dividing the result by twelve multiplied by the number of days between the next interest payment date after the value date of the trade and the last interest payment date prior to the value date of the trade.

800.49. Acceptable broker-to-broker trade matching utility

For each non-exchange trade, involving CDS eligible securities, executed by a Dealer Member with another Dealer Member, each Dealer Member must enter the trade into an Acceptable Trade Matching Utility or accept or reject any trade entered into an Acceptable Trade Matching Utility by another Dealer Member [within one hour of executing the trade.]

For purposes of this Rule 800.49, an "**Acceptable Trade Matching Utility**" shall be the Broker-To-Broker Trade Matching Utility developed as part of the CDSX development or any similar system approved by the Board of Directors of the Corporation.

RULE 1100

CALCULATING PRICE ON A YIELD BASIS

1100.1. Except as herein provided, where a transaction results from the submission of a bid or offer on a yield basis without stipulation as to price or method of calculating the unexpired term by the buyer or seller at the time the bid or offer is submitted, the price shall be determined as follows:

(a) Bonds Having Unexpired Term up to and Including 10 Years

The unexpired term shall be deemed to be the exact period expressed in years and/or years and months and/or in years, months and days from the regular delivery date to the maturity of a non-callable bond or a callable bond selling at a price lower than the call price, and to the first redemption date of a callable bond selling at the call price or at a premium over the call price. In calculating the price for the term so determined, one day shall be deemed to be 1/30th of one month;

(b) Bonds Having Unexpired Term Over 10 Years

The unexpired term shall be deemed to be the period expressed in years and/or years and months from the month in which the regular delivery date occurs to the month and year of the maturity of a non-callable bond or callable bond selling at a price lower than the call price, and to the first month and year that the bond is redeemable in the case of a callable bond selling at the call price or at a premium over the call price;

(c) Prices

In all transactions between dealers and customers determined in accordance with the foregoing, the prices shall be extended to three decimal places only. If the fourth figure after the decimal point is 5 or more the third figure after the decimal point shall be increased by one;

(d) New Issues

This Rule shall apply to dealing in new issues and the unexpired term shall be deemed to commence on the date to which accrued interest is charged to the customer.

1100.2. Rule 1100.1 shall not apply to transactions in the following securities, all dealings in which shall be subject to negotiation of the dollar price:

(a) Government of Canada Bonds and Bonds guaranteed by Canada;

(b) Short-term securities as noted hereunder:

(i) Securities which have an unexpired term of six months or less to maturity;

(ii) Securities which have an unexpired term of six months or less to the call date and are selling at the call price or at a premium over the call price;

(iii) Securities which have been called for redemption;

(c) Securities callable on future dates at varying prices;

(d) Securities callable at the option of the obligant where the call date is not stipulated and the securities are selling at a premium over the call price.

1100.3. Bond quotations furnished to the press by any Dealer Member must be under the name of the Corporation.

RULE 1200

CLIENTS' FREE CREDIT BALANCES

1200.1. For the purposes of this Rule 1200, "free credit balances" shall mean:

(a) For cash and margin accounts - the credit balance less an amount equal to the aggregate of (i) the market value of short positions, and (ii) margin as required pursuant to the Rules on those short positions; and

(b) For commodity accounts - the credit balance less an amount equal to the aggregate of (i) margin required to carry open futures contracts and/or futures contract option positions, (ii) less any equity in such contracts, (iii) plus any deficits in such contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance.

1200.2. Each Dealer Member which does not keep its clients' free credit balances segregated in trust for clients in an account with an acceptable institution separate from the other monies from time to time received by such Dealer Member shall legibly make a notation on all statements of account sent to its clients in substantially the following form:

Any free credit balances represent funds payable on demand which, although properly recorded in our books, are not segregated and may be used in the conduct of our business.

1200.3. No Dealer Member shall use in the conduct of its business clients' free credit balances in excess of the aggregate of the following amounts:

(a) Eight times the net allowable assets of the Dealer Member; plus

(b) Four times the early warning reserve of the Dealer Member.

Each Dealer Member shall hold an amount at least equal to the amount of clients' free credit balances in excess of the foregoing either (a) in cash segregated in trust for clients in a separate account or accounts with an acceptable institution; or (b) segregated and separate and apart as the Dealer Member's property in bonds, debentures, treasury bills and other securities with a maturity of less than one year of or guaranteed by the Government of Canada, a province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a member of the Basle Accord).

1200.4. Dealer Members shall determine at least weekly the amounts required to be segregated in accordance with Rule 1200.3.

1200.5. Dealer Members shall review on a daily basis compliance with Rule 1200.3 against the latest determination under this Rule 1200 of amounts to be segregated with a view to identifying and correcting any deficiency in amounts of free credit balances to be segregated.

1200.6. In the event that a deficiency exists in amounts of free credit balances required to be segregated by a Dealer Member, the Dealer Member shall expeditiously take the most appropriate action to rectify the deficiency.

RULE 1400

DISCLOSURE TO CLIENTS OF MEMBERS' FINANCIAL CONDITION AND OTHER INFORMATION

1400.1. Each Dealer Member shall make available to its clients, on request, a statement of its financial condition as of the close of its latest financial year and based on the latest annual audited financial statements, provided that in order to prepare such statement, the Dealer Member shall have 75 days from the close of such financial year. The term "client", as used in this Rule 1400, shall mean any person who has had a transaction with a Dealer Member within one year of the day on which a request for a statement of financial condition is made.

1400.2. Any statement of financial condition published in a newspaper or other medium in Canada shall be in the same form and of the same substance as the statement made available to clients.

1400.3. The statement of financial condition shall contain information such as the following or similar headings for items which are material:

Current Assets

Cash

Receivables from brokers and dealers

Receivables from customers

Inventory of securities at the lower of cost or market value or at market value (state basis of valuation)

Miscellaneous Accounts Receivable

Other Assets (state basis of valuation)

Investment in subsidiary and affiliated companies

Fixed assets

Current Liabilities

Call loans and bank overdrafts

Payable to brokers and dealers

Payable to customers

Accounts payable, accrued expenses and income taxes

Securities sold short at the higher of cost or market value or at market value (state basis of valuation)

Capital in the Business

Shareholders' equity (including subordinated loans and retained earnings)

Partners' equity

1400.4. Where the accounts of a Dealer Member are included in the consolidated financial statements of any holding company or affiliate of the Dealer Member which are published in a newspaper or other medium in Canada and the holding company, related company or affiliate has a name similar to that of the Dealer Member, either

(a) The consolidated financial statement shall be accompanied by a note indicating that the entity to which the consolidated statements relate is neither a Dealer Member of the Corporation nor of any other recognized self-regulatory organization and that, while the statements include the accounts of the Dealer Member, the consolidated statements are not the financial statements of the Dealer Member; or

(b) The Dealer Member shall, contemporaneously with the publication, send to each of its clients the unconsolidated statement of financial condition of the Dealer Member together with a letter explaining why such statement is being sent.

1400.5. The statement of financial condition shall be accompanied by a report by the Dealer Member's auditor stating that it fairly summarizes the financial position of the Dealer Member.

1400.6. Each Dealer Member shall make available to its clients, on request, a current list of the names of its partners or its directors and senior officers made up as of a recent date.

1400.7. Each Dealer Member shall indicate to its clients on each statement of account or in such other manner as may be approved by the Corporation that the statement of financial condition and list of partners, directors and senior officers are available upon request.

RULE 2000

SEGREGATION REQUIREMENTS

Acceptable External Locations

2000.1. For the purposes of Rule 17.3 and Rule 17.3A, securities held beyond the physical possession of the Dealer Member may be segregated and held in trust for customers of a Dealer Member, or segregated and held by or for a Dealer Member, as the case may be, in acceptable securities locations, provided that the written terms upon which such securities are deposited and held beyond the physical possession of the Dealer Member include provisions to the effect that

(a) No use or disposition of the securities shall be made without the prior written consent of the Dealer Member;

(b) Certificates representing the securities can be delivered to the Dealer Member promptly on demand or, where certificates are not available and the securities are represented by book entry at the location, the securities can be transferred either from the location or to another person at the location promptly on demand; and

(c) The securities are held in segregation for the Dealer Member or its customers free and clear of any charge, lien, claim or encumbrance of any kind in favour of the depository or institution holding such securities.

Acceptable Internal Locations

2000.2. For the purposes of Rules 17.3 and 17.3A, the securities held within the physical possession or control of the Dealer Member may be segregated and held in trust for clients of the Dealer Member, or segregated and held by or for the Dealer Member, as the case may be, in the following prescribed locations:

(a) Internal Storage

All internal storage locations designated in the Dealer Member's ledger of accounts for which adequate internal accounting controls and systems for safeguarding of securities held for clients are maintained and which reflect unencumbered security positions in the possession and control of the Dealer Member.

All securities in transit between internal storage locations, for which adequate internal controls are maintained, provided that securities in transit for more than five (5) business days may not be considered as being in the possession and control of a Dealer Member for purposes of segregation.

(b) Transfer Locations

All securities which are in the process of being transferred by a registered or recognized transfer agent.

If such securities are with transfer agents in Canada and have not been received within twenty (20) business days of delivery, the Dealer Member shall obtain a confirmation of the position receivable from the transfer agent. If such position remains unconfirmed after forty-five (45) business days of delivery, the Dealer Member must transfer the position to its difference account.

If such securities are with transfer agents in the United States, the Dealer Member must confirm the receivable after forty-five (45) business days of delivery and transfer the position to its difference account after seventy (70) business days of delivery if the position has not been confirmed. If such securities are with transfer agents outside Canada and the United States, the Dealer Member must confirm the receivable after seventy (70) business days of delivery and transfer the position to its difference account after one hundred (100) business days of delivery if the position has not been confirmed.

If the positions represented by such securities are required to be transferred to the Dealer Member's difference account, such securities shall not be considered to be in the possession and control of the Dealer Member for the purposes of segregation.

Non-Negotiable Securities

2000.3. Securities which are restricted or which are non-negotiable or which cannot be made fully negotiable solely by signature or guarantee of the Dealer Member shall be deemed not to be segregated unless such securities are registered in the name of the client (or the name of a person required by the client) on whose behalf they are being held in an acceptable segregation location.

Bulk Segregation Calculation

2000.4.

(a) A Dealer Member, which holds securities of clients in bulk segregation in accordance with Rule 17.3, shall determine, for all accounts of each client, the following amounts:

(i) The quantity of all securities held for such accounts which are part of a qualifying hedge position;

(ii) The net loan value of all securities held for such accounts, other than securities referred to in subparagraph (i), minus (or plus in the case of a credit) the aggregate debit cash balance in the accounts; and

(iii) The market value of all securities, other than securities referred to in subparagraph (i), not eligible for margin under Rule 100 minus the aggregate amount, if any, by which such accounts are under-margined as calculated in subparagraph (ii).

Amounts defined in subparagraphs (ii) and (iii) shall represent the net loan value or market value, as the case may be, of securities required to be segregated by the Dealer Member in respect of such accounts. The amount of securities required to be segregated by a Dealer Member shall not, in any case, be greater than the market value of the securities held for such accounts.

(b) For the purposes of this Rule 2000.4, net loan value of a security means, in respect of:

(i) A long position, the market value of the security less any margin required;

(ii) A short position, the market value of the security plus any margin required expressed as a negative number; and

(iii) A short security option position, any margin required as a negative number.

(c) For the purposes of this Rule 2000.4, a qualifying hedge position means, for all the accounts of each client:

(i) A long position in a security; and

(ii) A short position in a security issued or guaranteed by the same issuer of the security referred to in subparagraph (i);

where

(iii) The long position is convertible or exchangeable to the securities of the same class and number of the securities held in the short position; and

(iv) The Dealer Member is using the long position as collateral to cover the short position.

2000.5. A Dealer Member may satisfy its obligations to segregate client securities under Rule 17.3 by segregating in bulk for all clients the number of securities determined as follows:

(a) Equity securities

The aggregate loan value and market value of each class or series of security required to be segregated for each client as determined under Rule 2000.4 divided by the loan or market value, as the case may be, of one unit of the security, shall be the number of such securities required to be segregated.

(b) Debt securities

The aggregate loan value and market value of each class or series of security required to be segregated for each client as determined under Rule 2000.4 divided by the loan or market value, as the case may be, of each $100 of principal amount of the security, multiplied by 100 and rounded to the lowest issuable denomination, shall be the principal amount of such securities required to be segregated.

In determining which securities shall be used to satisfy the segregation requirements in respect of each such client's positions, the Dealer Member may select among all of the securities carried for the client's accounts, subject to the restrictions of any applicable securities legislation including, without limitation, a requirement that fully-paid securities in a cash account be segregated before unpaid securities.

Securities which are required to be segregated but which have been sold by the Dealer Member on behalf of a client shall remain segregated until one business day prior to settlement or value date. Securities which are required to be segregated for a client shall not be removed from segregation as a result of the purchase of any securities by such client until settlement or value date.

Frequency and Review of Calculation

2000.6. A Dealer Member shall determine at least twice weekly the securities required to be segregated according to the calculations set out in Rules 2000.4 and 2000.5.

2000.7. Each Dealer Member shall review on a daily basis compliance with its segregation requirements for its clients' securities according to the latest determination of such securities pursuant to Rule 2000.6 with a view to identifying any deficiency in securities required to be segregated and correcting any such deficiency.

General Restrictions

2000.8. In complying with its obligation to segregate client securities in accordance with Rules 17.3 and 2000, each Dealer Member shall ensure that:

(a) A segregation deficiency is not knowingly created or increased;

(b) No securities held by the Dealer Member are delivered against payment for the account of any client if such securities are required to satisfy the segregation requirements of the Dealer Member in respect of any client;

(c) All free securities (i.e. fully paid and unencumbered securities which have not been sold or are not required for margin) received by the Dealer Member shall be segregated.

Correction of Segregation Deficiencies

2000.9. In the event that a segregation deficiency exists, including (without limitation) deficiencies arising in the circumstances listed below, the Dealer Member shall expeditiously take the most appropriate action required to settle the segregation deficiency.

Call loans:

The Dealer Member shall take action to recall such securities within the business day following the determination of the deficiency.

Securities loans:

The Dealer Member shall call for the return of such securities from the borrower within the business day following the determination of the deficiency or shall borrow securities of the same issue to cover the deficiency and should such securities not have been received by the Dealer Member within five (5) business days following the determination of the deficiency, the Dealer Member shall undertake to buy-in the borrower.

Inventory or Trading Account Short Positions:

The Dealer Member shall borrow securities of the same issue to cover the deficiency within the business day following the determination of the deficiency or shall undertake to purchase the securities immediately.

Client Declared Short Sales:

The Dealer Member shall borrow securities of the same issue to cover the deficiency within the business day following the determination of the deficiency or shall undertake to buy-in the securities within five (5) business days.

Fails - Client, Dealer Members, Acceptable Institutions or Acceptable Counterparties:

If such securities have not been received by the Dealer Member within fifteen (15) business days of the settlement date, the Dealer Member shall borrow securities of the same issue to cover the deficiency or shall undertake to buy-in the securities.

Stock Dividends Receivable and Stock Splits:

If such securities have not been collected within forty-five (45) business days of the date receivable, the Dealer Member shall obtain a written confirmation of the position receivable. If such position remains unconfirmed after the aforementioned forty-five (45) business days, the Dealer Member must transfer the position to its difference account.

Difference Accounts:

Each Dealer Member shall maintain a difference or suspense account in which shall be recorded all securities which have not been received by reason of irreconcilable differences or errors in any accounts. If securities recorded in a difference account have not been obtained by the Dealer Member within thirty (30) business days of the deficiency being recorded, the Dealer Member shall borrow securities of the same class or series to cover the deficiency or shall undertake to purchase the securities immediately.

RULE 2200

CASH AND SECURITIES LOAN TRANSACTIONS

2200.1. For the purposes of this Rule 2200:

"Overnight Cash Loan Agreements" means oral or written agreements whereby a Dealer Member deposits cash with another Dealer Member for a period not exceeding two (2) business days.

"Schedule I Bank" means a Schedule I bank pursuant to the Bank Act (Canada) that has a capital and reserves position of one billion ($1,000,000,000) or more at the time of the securities loan transaction."

2200.2. Any cash and securities loan agreement, other than an overnight cash loan agreement, shall be in writing and, at minimum, shall provide:

(a) For the rights of either party, in addition to any other remedies provided in the agreement or which a party may have under any applicable law, to retain and realize on the securities delivered to it by the other party in respect of the loan on the occurrence of an event of default in respect of the other party;

(b) For events of default;

(c) For the treatment of the value of securities or collateral held by the non-defaulting party that is in excess of the amount owed by the defaulting party;

(d) Either:

(i) For provisions enabling the parties to set off their debts; or

(ii)

(A) For provisions enabling the parties to effect a secured loan and, in particular, for the continuous segregation by the lender of securities held by it as collateral for the loan; and

(B) If the parties intend to effect a secured loan, where there is available to the lender more than one method of perfecting its security interest in the collateral, the lender must perfect such interest in a manner that provides it with the higher priority in a default situation; and

(e) If the parties intend to rely on set off or effect a secured loan, for the securities borrowed and the securities loaned to be, pursuant to applicable legislation, free and clear of any trading restrictions and duly endorsed for transfer.

2200.3. Failure to fulfil the conditions of Rule 2200.2 will result in:

(a) The cash or market value of the collateral given by the borrower to the lender being deducted from net allowable assets of the borrower; and

(b) The cash or market value of the loan given by the lender to the borrower being deducted from the net allowable assets of the lender.

Except where the counter-party is an acceptable institution in which case no margin need be provided.

2200.4. Buy-ins (liquidating transactions) must be commenced within two (2) business days of the date notice for the buy-in is given.

2200.5. All cash and securities loan transactions shall be properly recorded in the books and records of the Dealer Member in compliance with Rule 200.

2200.6. Where a cash and securities loan transaction is between regulated entities, the following rules apply:

(a) The written agreement required by Rule 2200.2 shall also contain an acknowledgement by the parties that either has the right, upon notice, to call for any shortfall in the difference between the collateral and the borrowed securities at any time;

(b) Letters of credit issued by Schedule I Banks may be used as collateral; and

(c) Except where the cash and securities loan transaction is processed through an acceptable clearing corporation, confirmations and month-end statements shall be issued.

2200.7. Where the cash or securities loan transaction is between a Dealer Member and an acceptable institution or an acceptable counter-party, the following rules apply:

(a) Confirmations and month-end statements shall be issued; and

(b) Letters of credit issued by Schedule I Banks may be used as collateral.

2200.8. Where a Dealer Member enters into a cash and securities loan transaction with a party other than one to which Rule 2200.6 or 2200.7, the following rules apply:

(a) Marking to Market. Borrowed securities and collateral must be marked to market daily on a one-for-one basis.

(b) Loan Accounts. Loan accounts must be maintained separate from the securities trading accounts maintained by the Dealer Member.

(c) Collateral

(A) Securities pledged as collateral must be held by the Dealer Member on a fully segregated basis or must be held by an acceptable depository or a bank or trust company qualifying as either an acceptable institution or an acceptable counter-party pursuant to an escrow agreement, acceptable to the Corporation between the Dealer Member and the depository, institution or counter-party;

(B) Subject to clause (C), securities pledged as collateral must have a margin rate of 5 percent or less; and

(C) Preferred shares or debt securities convertible (in either case) into the common shares of the class which have been borrowed may be pledged against common stock of the issuer.

(d) Non-Compliance. Failure to fulfill the conditions of Rules 2200.8(b) or (c)(A) will result in a charge to net allowable assets of the Dealer Member as provided in Rule 100 for short securities balances in the accounts of customers.

(e) Confirmations and Month-end Statements. Confirmations and month-end statements shall be issued and, where the other party to a transaction is a retail client of the Dealer Member, such loan of securities shall be recorded in an account separate from the retail client's trading accounts.

2200.9. In a cash or securities loan transaction between an acceptable institution, acceptable counter-party, or a regulated entity, where a letter of credit issued by a Schedule I Bank is used as collateral for the cash or securities loan transaction pursuant to Rules 2200.6(b) or 2200.7(b), there shall be no charge to the Dealer Members capital for any excess of the value of the letter of credit pledged as collateral over the market value of the securities borrowed.

RULE 2300

ACCOUNT TRANSFERS

2300.1. Definitions. In this Rule 2300 the expression:

"**Account Transfer**" means the transfer in its entirety of an account of a client with a Dealer Member to another Dealer Member at the request or with the authority of the client;

"**CDS**" means The Canadian Depository for Securities Limited / La Caisse Canadienne de Dépôt de Valeurs Limitée;

"**Delivering Dealer Member**" means in respect of an account transfer the Dealer Member from which the account of the client is to be transferred;

"**Receiving Dealer Member**" means in respect of an account transfer the Dealer Member to which the account of the client is to be transferred;

"**Partial Account**" means in respect of an account transfer, any assets and balances in the account of a client to be transferred from a delivering Dealer Member to a receiving Dealer Member which comprise less than the total assets and balances held by the delivering Dealer Member for that account;

"**Recognized Depository**" means a clearing corporation or depository which has been recognized by the Board of Directors pursuant to Rule 2000.

2300.2. Account Transfers. Each account transfer shall be effected wherever possible through the facilities or services of a clearing organization or depository which has been recognized by the Board of Directors. The procedures to be followed for full or partial account transfers shall be as set out in this Rule 2300.

Written communications by Dealer Members with other Dealer Members required in connection with compliance with this Rule 2300 including, without limitation, delivery of Request for Transfer forms and Asset Listings shall be transmitted by electronic delivery through the Account Transfer Facility of CDS, unless both Dealer Members agree otherwise. Each Dealer Member shall bear its own costs in respect of the receipt or delivery of such communications. Each Dealer Member shall be responsible for the selection, implementation and maintenance of appropriate security products, tools and procedures sufficient to protect any communications sent by electronic delivery by such Dealer Member.

Each Dealer Member acknowledges that communications sent by it by electronic delivery pursuant to this Rule 2300 will be relied on by the other Dealer Members receiving them and such Dealer Members sending a communication shall indemnify and save harmless any such other Dealer Members against and from any claims, losses, damages, liabilities or expenses suffered by such Dealer Members and arising as a result of reliance on any such communication which is unauthorized, inaccurate or incomplete.

2300.3. Authorization. Each receiving Dealer Member which receives a request from a client to accept an account shall provide the client with an Authorization to Transfer Account form in a form approved by the Corporation.

On return of the Authorization to Transfer Account form to the office designated by the receiving Dealer Member, duly executed by the client, the receiving Dealer Member shall promptly send a Request for Transfer form (as approved by the Corporation) by electronic delivery through the Account Transfer Facility of CDS providing the prescribed information required by CDS. The original copy of the Authorization to Transfer Account form shall remain on file pursuant to Rule 200.1 with the receiving Dealer Member and will be made available at any time upon request.

In addition, the receiving Dealer Member shall ensure that such forms or documents as may be required in order to transfer trusteed accounts, provincial stock savings plan accounts or other accounts which cannot be transferred without such other forms or documents are duly completed and available on the same day as the electronic delivery of the Request for Transfer form.

2300.4. Response to Request for Transfer. On electronic receipt of the Request for Transfer, the delivering Dealer Member shall either deliver electronically to the receiving Dealer Member the Asset Listing of the client account being transferred by the return date as specified, or reject the Request for Transfer if the client account information is unknown to the delivering Dealer Member, or is incomplete or incorrect. The return date shall be no later than two clearing days after the date of electronic receipt at the delivering Dealer Member.

If for any reason, an impediment exists which prevents the requested transfer of an asset for an account from the delivering Dealer Member to the receiving Dealer Member, the delivering Dealer Member shall forthwith notify the receiving Dealer Member electronically, identifying such asset(s) and the reason for the inability to deliver. The receiving Dealer Member shall obtain instructions or directions from the client and deliver them electronically to the delivering Dealer Member with regard to that asset.

Transfer of the balance of assets belonging to the client shall be completed in accordance with this Rule 2300.

2300.5. Settlement. Within one clearing day after the return date specified on the Request for Transfer, the delivering Dealer Member shall input, or cause the Account Transfer facility at CDS to implement automatically, the set up for settlement of those assets which are to be settled through CDS. All other assets shall be delivered using the standard industry practice for such assets.

No Dealer Member shall accept transfer of an account from another Dealer Member which is not margined in accordance with regulatory requirements, unless at the time

of the transfer, the receiving Dealer Member has in its possession sufficient available funds or collateral for the credit of the client to cover the deficiency in the account.

Any assets which cannot be transferred through recognized depositories shall be settled over the counter or by such other appropriate means as may be agreed between the receiving Dealer Member and the delivering Dealer Member, with the same time limits specified above for assets which can be transferred through a depository.

2300.6. Failure to Settle. If the delivering Dealer Member fails to settle the transfer of any asset in the account of a client within 10 clearing days of the receipt of the Request for Transfer form by electronic delivery, the receiving Dealer Member may complete the account transfer by, at its option:

(a) Buying-in the unsettled position in accordance with Rules 800.39 to 800.44;

(b) Establishing a loan of the assets from the receiving Dealer Member to the delivering Dealer Member through a recognized depository, which loan shall be marked to market and the relevant assets shall be deemed to have been delivered to the receiving Dealer Member for the purpose of settling the account transfer; or

(c) Making such other mutually agreed arrangements with the delivering Dealer Member such that the account transfer can be deemed to have been completed for the client.

2300.7 Non-Certificated Mutual Funds. Assets in an account to be transferred in the form of non-certificated mutual fund securities shall be considered transferred upon delivery by the delivering Dealer Member to the receiving Dealer Member of a duly completed Dealer to Dealer Mutual Fund Transfer form as approved by the Corporation and a properly completed and endorsed power of attorney, or by entry of transfer instructions in the electronic account transfer facility of Mutual Funds Clearing and Settlement Services Inc.

2300.8. Miscellaneous Balances. Balances comprising interest or dividend receipts shall be settled promptly between a delivering Dealer Member and receiving Dealer Member and the failure to so settle such balances for any reason shall not constitute grounds for not complying with the account transfer procedures contained in this Rule 2300.

2300.9. Capital Charges. Delivering Dealer Members shall not be subject to capital or margin charges in respect of assets which are in the process of being transferred in accordance with this Rule 2300. The receiving Dealer Member shall be required to margin all assets or balances which are in the process of being transferred in accordance with this Rule 2300.

2300.10. Fees and Charges. The delivering Dealer Member shall be entitled to deduct any fees or charges on accounts to be transferred prior to or at the time of transfer in accordance with that Dealer Member's current published schedule for such fees and charges.

2300.11. Exemptions. The Corporation may exempt a Dealer Member from the requirements of this Rule 2300 where he or she is satisfied to do so would not be prejudicial to the interests of the Dealer Member, its clients or the public and in granting such exemption the Corporation may impose such terms and conditions, if any, as he or she may consider necessary.

RULE 2600

INTERNAL CONTROL POLICY STATEMENTS

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INTERNAL CONTROL POLICY STATEMENT 1

GENERAL MATTERS

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(iv) The balance struck between preventive and detective internal controls. "Preventive controls are those which prevent, or minimize the chance of occurrence of, fraud and error. Detective controls do not prevent fraud and error but rather detect them, or maximize the chance of their detection, so that corrective action may be promptly taken. The known existence of detective controls may have a deterrent effect, and be preventive in that sense". (CICA Handbook, 5205.13)

The extent of preventive controls implemented by a Dealer Member will depend on management's view of the risk of loss and the cost-benefit relationship of controlling such risk. Where the inherent risk is high (e.g., cash, negotiable securities), the cost of effective preventive controls will usually be warranted and expected by industry regulators. On the other hand, where the inherent risk is very low (e.g., prepaid expenses, stock exchange seats), the cost of preventive controls would usually not be warranted nor expected by industry regulators. Further, in a circumstance where a preventive control is warranted, a detective control should not be considered to be a suitable alternative unless it will result in prompt detection of fraud and error and provide near certainty of recovery of the property that is the subject of the fraud or error.

For example, the safeguarding of customers' segregated securities warrants the implementation of highly effective preventive controls. Accordingly, Dealer Members safeguard such securities by placing them in recognized depositories whenever possible or storing them in bank and/or in-house vaults of an appropriate class suitable to insurers. It would not be appropriate to keep such securities in standard filing cabinets even if such securities were counted monthly since the risk of loss would be high and the possibility of recovery could be very low.

(v) Industry practice.

Determining whether internal control is adequate is a matter of judgement. However, internal control is not adequate if it does not reduce to a relatively low level the risk of failing to meet control objectives stated in this series of Policy Statements and, as a consequence, one or more of the following conditions has occurred or could reasonably be expected to do so:

(i) A Dealer Member is inhibited from promptly completing securities transactions or promptly discharging the Dealer Member's responsibilities to clients, to other brokers, or to the industry:

(ii) Material financial loss is suffered by the Dealer Member, clients or the industry;

(iii) Material misstatements occur in the Dealer Member's financial statements;

(iv) Violations of regulations occur to the extent that could reasonably be expected to result in the conditions described in (i) to (iii) above.

Other Policy Statements in this series set out control objectives, required and recommended firm policies and procedures and indications that internal control is not adequate. While recommended firm policies and procedures will be appropriate in many cases to meet the stated objectives, they constitute merely one of a number of methods which Dealer Members may utilize. It is recognized that Dealer Member firms may conduct their business in compliance with legal and regulatory requirements although they may employ procedures which differ from the recommended firm policies and procedures contained in the Policy Statements. The information is designed to provide guidance to Dealer Member firms in the preparation of procedures tailored to the specific needs of their individual environment in meeting the stated control objectives.

Dealer Members must maintain a detailed written record which as a minimum should include the specific policies and procedures approved by senior management to comply with these Internal Control Policy Statements. These policies and procedures must be reviewed and approved in writing by senior management at least annually, or more frequently as the situation arises, for their adequacy and suitability. One method of documentation is to note on a copy of this Statement the recommended policies and procedures which have been selected, and details of their performance such as who performs them, when, and how performance is evidenced. Other forms of documentation, such as procedures manuals, flow charts and narrative descriptions are recommended.

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INTERNAL CONTROL POLICY STATEMENT 2

CAPITAL ADEQUACY

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Minimum Required Firm Policies and Procedures

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2. The firm's planning process recognizes the projected capital requirements resulting from current and planned business activities.
3. Activity limits for the major functional areas of the firm (such as capital markets, principal trading, borrowing/lending, etc.) are designed to ensure that the combined operations of the firm maintain at least the minimum required amount of risk adjusted capital.
4. Such activity limits are approved by senior management and communicated to the executives responsible for the various major functional areas. Actual performance is compared to such limits by the Chief Financial Officer or designated person assigned the task of monitoring the capital position, and breaches are reported promptly to senior management.
5. At least weekly, but more frequently if required (e.g. the firm is operating close to early warning levels or volatile market conditions exist), the Chief Financial Officer or designated person assigned the task for monitoring the capital position documents that he/she has:
   (a) Received management reports produced by the accounting system showing information relevant to estimation of the capital position;
   (b) Obtained other information concerning items that, while they may not yet be recorded in the accounting system, are likely to significantly affect the capital position (e.g. bad and doubtful debts, unreconciled positions, underwriting and inventory commitments and margin requirements);
   (c) Estimated the capital position, compared it to planned capital limits and the prior period and reported adverse trends or variances to senior management.
   (d) Estimated the application to the Dealer Member of the liquidity and capital tests under the early warning calculations for Level 1 and/or Level 2 of Rule 30. In addition, at least monthly estimate the application of the profitability tests under the early warning calculations for Level 1 and/or Level 2 of Rule 30.
6. Senior management takes prompt action to avert or remedy any projected or actual capital deficiency and reports any deficiencies, when required, immediately to the appropriate regulators. In addition, senior management promptly reports to the appropriate regulators any conditions or circumstances that are, or should be, apparent from the actions required to be performed under this Statement that could require the Dealer Member to be designated in early warning Level 1 or Level 2 in accordance with Rule 30 because of the application of the liquidity, capital or profitability tests.

7. The month-end estimate of required and risk adjusted capital is reconciled to the Monthly Financial Report submitted for regulatory filing. Material discrepancies are investigated and steps taken to preclude re-occurrence.
8. At least annually there is a documented supervisory review of the firm's management reporting system related to capital, to identify and implement changes required to reflect developments in the business or in regulatory requirements.

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INTERNAL CONTROL POLICY STATEMENT 4

SEGREGATION OF CLIENTS' SECURITIES

This policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters.

Control Objective

To segregate clients' fully-paid and excess margin securities so that:

(a) The firm is in compliance with regulatory and legal requirements for segregation;

(b) Fully paid and excess margin securities are not improperly used.

Minimum Required Firm Policies and Procedures

1. At least twice weekly the information system produces a report of items requiring segregation (the "segregation report").
2. Items requiring segregation are placed in "acceptable securities locations" as defined by regulation on a timely basis.
3. Written custodial agreements with applicable regulatory provisions exist for securities held at acceptable securities locations.
4. Securities are moved into or out of segregation only by authorized personnel.
5. There is a daily supervisory review of compliance with segregation requirements for clients' securities according to the latest segregation report and of action taken to settle previously identified deficiencies.
6. If any segregation deficiency exists, the most appropriate action prescribed by regulation required to settle the deficiency is taken expeditiously.
7. There is supervisory review or other procedures in place to ensure the completeness and accuracy of segregation reports.
8. If any segregation deficiency is identified in such supervisory review, the most appropriate action required to settle the deficiency is taken expeditiously.
9. Management has set reasonable guidelines so that any material segregation deficiency is reported to senior management on a timely basis.

10. At least annually there is a documented supervisory review of firm policies and procedures to identify and correct any divergence from regulatory requirements.

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INTERNAL CONTROL POLICY STATEMENT 5

SAFEKEEPING OF CLIENTS' SECURITIES

This policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters.

Control Objective

To provide safekeeping services to clients so that:

(a) The firm is in compliance with regulatory requirements for safekeeping;

(b) Securities in safekeeping are not improperly used.

Minimum Required Firm Policies and Procedures

1. Securities held in safekeeping are held pursuant to a written safekeeping agreement with the client.
2. There are procedures in place to ensure that safekeeping securities are kept apart from all other securities.
3. Securities held in safekeeping are recorded as such in the firm's securities position records, client's ledger and statement of account.
4. Securities held in safekeeping are released only on instruction from the client.

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INTERNAL CONTROL POLICY STATEMENT 6

SAFEGUARDING OF SECURITIES AND CASH

This Policy Statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states ***"every Dealer Member shall establish and maintain adequate internal controls in accordance with internal control policy statements in Rule 2600."*** It should be read in context of Policy Statement 1 dealing with General Matters.

Control Objective

To safeguard both firm and client securities and cash so that:

(a) Securities and cash are protected against material loss; and

(b) Potential losses are detected and reported (for regulatory, financial and insurance purposes) on a timely basis.

Minimum Required Firm Policies and Procedures

(It is recognized that Dealer Members with small operations may not be able to comply with the segregation of duties requirements due to the limitation inherent in the size of their firm and operations. To the extent that these minimum requirements are inappropriate in the operations of such Dealer Members, they would not be required to follow them and must implement compensating control procedures to meet the stated control objectives of this Policy Statement.)

1. Receipt and Delivery of Securities

(a) Personnel responsible for the receipt and delivery of securities do not have access to the record keeping of such securities.

(b) Securities handling is done in a restricted and secure area.

(c) Receipts and deliveries are promptly and accurately recorded (certificate numbers, registrations, coupon numbers, etc.).

(d) Negotiable certificates delivered through the mail are sent by means of registered mail.

(e) Signed receipts are obtained from the client or agent for all securities delivered free.

2. Restricted Access to Securities

(a) Only designated individuals are permitted to physically handle securities.

(b) Physical handling of securities is carried out in a restricted and secure area.

(c) Custody of securities is entrusted to individuals not involved in maintaining or balancing of stock records.

(d) Vault facilities are physically appropriate to the value and negotiability of the securities they contain.

3. Clearing

(a) Clearing reports containing the settlement activity from the previous day are compared and balanced to company records promptly.

(b) The reconciliation of the clearing or settlement of accounts should be performed by firm personnel independent of trading.

(c) Prompt action is taken to correct differences.

(d) Aged "fails" to deliver and receive are reviewed regularly to determine reason(s) for delay in settlement.

(e) Any fail that continues for an extended period of time is reported promptly to senior management.

(f) Client securities are not used in settling short "pro" sales unless the client's written permission has been obtained, appropriate collateral is provided to the client, and the use of such securities is not contrary to any laws.

(g) Clearing records are reconciled regularly to clearing house and depository records to ensure agreement of securities and cash on deposit.

4. Custody

(a) A risk assessment is performed on any securities location which holds securities on behalf of the firm and its clients.

(b) Limits are set on the value of securities or other assets (e.g. gold, letters of credit, dividends, interest, etc.) held at any securities location.

(c) The firm has a proper written agreement with each acceptable securities location used to hold securities as required by SRO regulation.

(d) Processing controls include an adequate division of duties over the recording of entries and over the initiation of transfers made on the records of the depositories (e.g. transfers between "free" and "seg").

(e) Security and other asset positions as per the company's records are reconciled on a regular basis (at least monthly) to the positions as per the custodian's records. Differences are investigated and appropriate adjustment entries are made.

***5.* Security Records**

(a) Personnel responsible for maintaining and balancing stock records are not involved in custody of the physical securities.

(b) Stock records are promptly updated to reflect changes in the location and ownership of all securities under the firm's control.

(c) Journal entries made to stock records are clearly identified and adjustments are properly reviewed and approved before processing.

***6.* Security Counts**

(a) Segregated and safekeeping securities are counted at least once a year in addition to the count conducted during the annual external audit as required by SRO regulation.

(b) Securities contained in current boxes are counted at least monthly.

(c) Interim surprise counts are conducted by individuals other than those who have custody of securities.

(d) Count procedures ensure that all physical securities are included and related positions such as transit and transfers are also verified simultaneously.

(e) During a security count, both the descriptions of the security and quantity should be compared to the records of the firm. Any discrepancies should be investigated

and corrected promptly. Positions not reconciled within a reasonable period are reported promptly to senior management and accounted for promptly.

7. Branch Transits

(a) Separate transit accounts are used on the security position records to record the location of certificates in transit between each office of the firm. These accounts are reconciled on a monthly basis.

(b) Entries are made to book out securities to or from the branch to the transit account, and then upon physical receipt the securities are booked from the transit account to the receiving branch.

(c) The receiving branch checks securities received against the accompanying transit sheet.

(d) Methods of transportation selected for securities in transit comply with insurance policy terms and take into account value, negotiability, urgency, and cost factors.

8. Transfers

(a) A record is maintained showing all securities sent to and held by transfer agents.

(b) Authority to request transfers into a name other than the firm's name is restricted to designated individuals outside the transfer department and is permitted only in respect of fully-paid securities (new issues excepted).

(c) The transfer department executes transfers only upon receipt of a properly authorized request.

(d) Securities out for transfer are recorded as such in the firm's security position record.

(e) All positions for securities at transfer agents are supported by a receipt.

(f) An ageing of all transfer positions is prepared weekly and reviewed by management to verify the validity of the positions and the reasons for any undue delay in receiving securities from transfer agents.

(g) The duties of personnel handling transfers do not include other security cage functions such as deliveries, current box or segregation.

9. Re-Organization

(a) A formal procedure exists to identify and document the timing and terms of all forthcoming rights, offers, etc.

(b) There is a clear method of communicating forthcoming re-organization activity to the sales force, including deadlines for submitting special instructions in writing including any special handling procedures required around the key dates.

(c) Responsibilities for organizing and handling each offer are clearly assigned to a single person or department.

(d) Procedures to balance positions daily and to provide for the physical control of these securities are clearly defined.

(e) Suspense accounts involving offers and splits are reconciled and reviewed regularly.

10. Dividends and Interest

(a) A system is in place to record the total amounts of dividends and interest payable and receivable at due date.

(b) Individuals in charge of record keeping do not handle cash or authorize payments.

(c) Dividend and interest accounts are reconciled at least monthly and reviews performed of aged dividend receivables.

(d) Write-offs are authorized by the department manager or other senior personnel only.

(e) Journal entries to and from dividend and interest accounts are approved by the supervisor/manager.

(f) Other than as part of an automatic settlement system dividend claims are not paid unless accompanied by supporting documents, proof of registration, etc. Such supporting documents are compared to internal records for validity and approved by a senior member of the department.

(g) Non-resident tax is withheld where applicable by law.

(h) A system is in place to ensure appropriate reporting of client income for income tax purposes, as required by law.

11. Internal Accounts

(a) Internal accounts are reconciled at least monthly.

(b) The reconciliation is subject to a supervisory review.

12. Cash

(a) A senior official is responsible for reviewing and approving all bank reconciliations.

(b) Bank accounts are reconciled, in writing, at least monthly, with identification and dating of all reconciling items.

(c) Journal entries to clear reconciling items are made on a timely basis and approved by management.

(d) The reconciliation of bank accounts is performed by someone without incompatible functions, including access to funds (both receipts and disbursements), access to securities and record keeping responsibilities, including the authority to write or approve journal entries.

(e) Approval levels required to requisition a cheque are established by senior management.

(f) Cheques are pre-numbered and numerical continuity is accounted for.

(g) Cheques are signed by two authorized individuals.

(h) Cheques are only signed when the appropriate supporting documentation is provided. The supporting documentation is cancelled after the cheque is signed.

(i) Where facsimile signature is used, access to the machine is limited and supervised.

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INTERNAL CONTROL POLICY STATEMENT 7

PRICING OF SECURITIES

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Control Objective

To ensure that:

a) There is independent and timely verification of security prices designed to detect errors or omissions in the pricing of securities;

b) Security pricing discrepancies are identified and corrected on a timely basis and reviewed and approved by senior management.

c) There is consistency of procedures in the pricing of all types of securities.

d) There is accuracy and completeness of the pricing of securities and to ensure the reliability of prices.

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Minimum Required Firm Policies and Procedures

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2. Verification of security prices must take into consideration documented member policies as to criteria in determining the market value of securities consistent with SRO Rules.

3. There should be documented procedures in place to ensure appropriate pricing for all security records of the member for purposes of preparing management reports used to monitor profit and loss, and the regulatory capital position of the member. These functions should be performed by a knowledgeable, authorized individual who is properly supervised.

4. Personnel involved with trading of securities do not have access to back office security price records and should not be involved in the pricing process, recording and storage of pricing data; and if they are involved there should be compensating controls, appropriate review and approval.

5. Independent security pricing verification must be carried out for each month-end at a minimum. The results of the verification procedures must include quantification of all differences (distinguished between adjusted and unadjusted differences) and follow-up of any material differences to the Dealer Member including a review and approval by senior management.
6. Supporting documentation must be maintained evidencing verification of securities pricing and adjustments.
7. Procedures are in place to ensure daily mark to market of a Dealer Member's security positions "owned and sold short" for profit and loss reporting in accordance with SRO requirements.
8. Dealer Members inventory profit and loss information must be reviewed by knowledgeable and authorized staff who are adequately supervised and are independent of the Dealer Member's trading function.

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INTERNAL CONTROL POLICY STATEMENT 8

DERIVATIVE RISK MANAGEMENT

The policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statement in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters.

Control Objective

Derivatives are financial instruments whose values are derived from, and reflect changes in, the prices of the underlying products. They are designed to facilitate the transfer and isolation of risk and may be used for both risk transference and investment purposes. This policy statement includes all types of derivatives i.e. exchange traded and over-the-counter derivatives.

The control objective is to ensure that:

a) There is a risk management process of identifying, measuring, managing and monitoring risks associated with the use of derivatives.

b) Management demonstrates their understanding of the nature and risks of all derivative products being used in treasury, trading and sales.

c) Written policies and procedures exist that clearly outline risk management guidance for derivatives activities.

Minimum Required Firm Policies and Procedures

1. ROLE OF BOARD OF DIRECTORS

(i) Approve all significant risk management policies to ensure that they are consistent with the broader business strategies of the firm.

(ii) These policies must be reviewed and amended as business and market circumstances change.

(iii) Senior management must report at least annually to the board on risk exposures taken by the firm except for exchange traded options.

2. ROLE OF SENIOR MANAGEMENT

(i) Senior management must be responsible for ensuring that there are adequate written policies and procedures for conducting derivatives operations on both a long-range and day-to-day basis. This includes:

- A clear delineation of the lines of responsibility for managing risk
- An adequate system for measuring risk
- Appropriate risk position limits
- An effective system of internal controls
- A comprehensive reporting process

(ii) Ensure that if limits are exceeded, there must be a system in place so that such occurrences are made known to senior management and approved only by authorized personnel.

(iii) Ensure that all appropriate approvals are obtained and that adequate operational procedures and risk control systems are in place.

(iv) Ensure risk control systems appropriate for the product are in place to address market, credit, legal, operations and liquidity risk.

(v) Ensure that their derivatives activities are undertaken by professionals in sufficient number and with the appropriate experience, skill levels, and degrees of specialization.

(vi) Ensure that management designates the appropriate officer to commit their institutions to derivatives transactions.

(vii) Ensure that there is a regular evaluation of the procedures in place to manage risk to ensure that those procedures are appropriate and sound.

(viii) Ensure that all standard and non-standard derivative product programs are approved.

(ix) Ensure that there is an accurate, complete, informative and timely management information system. The risk management function should monitor and report its measures of risks to appropriate levels of senior management and to the board of directors of the firm.

3. PRICING

(i) Refer to Internal Control Policy Statement 7, "Pricing of Securities."

(ii) Derivatives positions should be marked to market on at least a daily basis.

(iii) All pricing models used must be independently validated, including those models that compute market data or model inputs by an independent risk management function must review and approve the pricing models and valuation systems used by front- and back-office personnel and the development of reconciliation procedures if different systems are used.

(iv) Valuations derived from models must be independently scrutinized at least monthly.

4. INDEPENDENT RISK MANAGEMENT

(i) Dealer Members must have a risk management function, with clear independence and authority to ensure the development of risk limit policies and monitoring of transactions and positions for adherence to these policies.

(ii) The financial accounting departments of Dealer Member firms are required to measure the components of revenue regularly and in sufficient detail to understand the sources of risk.

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RULE 3000

CODE OF CONDUCT FOR DEALING IN REPO MARKETS

Introduction

This policy creates a standard set of trading practices that should not only increase the transparency of the Repo markets, but also help promote liquidity and efficiency.

Dealers and inter-dealer brokers should also refer to Rule 2800, Code of Conduct for Trading in Domestic Debt Markets, and specifically the provisions relating to confidentiality of dealings in the domestic debt market with customers and counterparties. Rule 2800 is intended to reinforce the integrity of the secondary markets, covering all domestic debt markets, including repo and security lending.

Definitions

For the purpose of this Rule 3000:

"**Best Efforts**" means a trade where the buyer assumes the risk that the seller will not be able to make the delivery within the time frame requested by the buyer;

"**Forward Repo**" means a trade that settles in a longer time frame than next day settlement;

"**Inter-dealer Broker**" means an organization, whether or not incorporated, that provides information, voice or non-electronic trading and communications services in connection with trading in wholesale financial markets among customers of the organization; and

"**Odd Lot**" means:

(a) A lot less than $25 million for overnight and term general collateral; or

(b) A lot less than $25 million for specials (terms and overnights).

A. Confidential Nature of Transactions

1. Confidentiality

(a) It is the responsibility of all dealers and inter-dealer brokers to maintain confidentiality of the names of parties to a trade. Dealers and inter-dealer brokers shall not ask or answer any questions aimed at discovering the identity of any party to a trade, such as any characteristics of the counterparty.

(b) Despite subparagraph (a), the identity of parties to a trade through an inter-dealer broker may be disclosed

(i) After the trade is completed, and

(ii) Only to the counterparties to that trade.

(c) An inter-dealer broker may inform a dealer that it does not have a line of credit with the other side before a market is made, provided that no other indication is given as to the identity of the party in question.

(d) Nothing in this Rule shall be construed as preventing dealers or inter-dealer brokers from asking and/or answering questions aimed at discovering the size of the offer/bid.

2. Name Give-Up

The full names of counterparties shall be disclosed immediately at the time of trade in order to ensure that proper credit procedures are followed.

B. Screen Guidelines

1. Life of Bid

Unless otherwise specified, all bids and offers are good until cancelled, or the end of the business day, whichever comes first.

2. Going "Subject"

At 11:30 a.m. (Toronto time) all cash settlements will go "subject" and the inter-dealer brokers will contact the dealers to renew them.

3. Off-Screen Trading

(a) Off-screen markets shall be cleared with on-screen accounts.

(b) All off-screen trades shall be flashed on-screen within 15 minutes of completion of the transaction.

(c) If an off-screen number is to be shown only to the bid/offer, the account should specify that it is a one-time ("on a call") show.

4. Open Trades

Upon request, inter-dealer brokers may notify the repo community of repo roll rates.

5. Backing Up Into First Place

(a) If a market trades at a different rate, then the aggressor is allowed to take priority on-screen provided they match the existing market.

(b) If the market is topped for a minimum of five minutes and subsequently backed off, without trading, the market maker that topped the bid shall assume market priority.

(c) If the market is topped for less than five minutes and subsequently backed off, without trading, the original market maker shall maintain priority.

6. Priority of Bids

(a) Once the market has been established on-screen joining of the bid/offer shall not be permitted.

(b) The first party to declare as second buyer/seller shall take over a priority once the original buyer/seller has been filled.

7. Minimum Increments

Markets may be topped in a *minimum* of one (1) basis point increments.

8. Interruptions

If one market participant is hitting a bid, a second participant cannot swing in and lift an offer, while the bid is being filled.

9. Declaring Intentions

The aggressor and the market maker shall declare their intentions within five seconds of the time of trade.

10. Board Lots & Trading in Odd Lots

(a) The need for odd lot trading before 10:00 a.m. (Toronto time) is recognized, but the handling of this matter is left with the business judgement of each inter-dealer broker.

(b) Inter-dealer brokers may consider the following suggestion in regards to odd lot trading before 10:00 a.m.:

(i) If, before 10:00 a.m., there is no market, meaning no bid or no offer, in a particular security, a dealer should be able to show an odd lot on the screens with the understanding that if a round lot comes in before the odd lot is traded, the round lot would take precedence over the odd lot regardless of rate.

11. "Line Full"/"No Line"

(a) When a market is made and "line full" or "no line" flashes on the screen, no trade has taken place and all bids and offers should be renewed by those interested in market making the particular security.

(b) If "no line" is flashed on screen three times, the market is then worked off-screen.

12. "Hit When"/"Lift When" Clear

A market maker who is informed during the clearing time period of being "hit when clear"/"lifted when clear" by a third party should treat that as a valid execution in the event that the market maker is cleared.

13. Screen Notations

(a) Markets incorporating unusual provisions shall be denoted on an inter-dealer broker's screen;

(b) Examples of elements that shall be denoted include:

(i) Non-payment of intervening coupons (NIC),

(ii) Anything other than price plus accrued interest for open and overnight trades,

(iii) Right of substitution, and

(iv) Trades done on a "best efforts" basis.

14. Items That Should Appear On Separate Lines

Markets with stipulations or 'all or nothing trades' should appear on separate lines on an inter-dealer broker's screen.

15. Partial Fills

If 'all or nothing' is not specified, dealers making markets in amounts greater than the standard board lot shall accept transactions in board lot increments.

16. Monitoring Screen

It is up to the individual inter-dealer broker to monitor their screen. An inter-dealer broker's screen shall clearly state whether they are 'live' or 'subject'. This is especially the case immediately following the release of new economic data.

C. Assumptions as to Manner of Settlement

1. General

(a) Unless the parties to a trade otherwise agree

(i) All trades, except overnight and open trades, done before 11:30 a.m. (Toronto time) are assumed to be cash trades, and

(ii) All trades, except overnight and open trades, done after 11:40 a.m. (Toronto time) are assumed to be next day settlement trades.

(b) Unless the parties to a trade otherwise agree, all overnight and open trades are assumed to be cash trades until the relevant cut-off time.

2. Assumption for "Best Efforts"

(a) It is assumed that

(i) The buyer in a trade done on a "best efforts" basis before the dealer-to-dealer cut-off time seeks delivery before the close of the dealer-to-dealer cut-off time, and

(ii) The buyer in a trade done on a "best efforts" basis before the dealer-to-customer cut-off time seeks delivery before the close of the dealer-to-customer cut-off time.

(b) It is generally understood that an inter-dealer broker's screen will flash "best efforts" five minutes and 59 seconds before the relevant cut-off time.

3. All other Trades Done for Regular Settlement

All other trades, including general collateral and mortgage securities term trades, general collateral and mortgage securities overnight trades, and off-the-run specials, settling "regular" shall be priced and descriptions of the collateral shall be given by 9:00 a.m. (Toronto time) of the following morning.

4. Cash Trades Up to 11:00 a.m.

Unless the parties to a trade otherwise agree, all term and overnight trades executed through inter-dealer brokers and settling "cash" done up to and including 11:00 a.m. (Toronto time) shall be priced and a description of the collateral shall be given by 12:00 p.m. (Toronto time).

***5.* Cash Trades After 11:00 a.m.**

(a) Unless the parties otherwise agree, all term and overnight trades executed through inter-dealer brokers and settling "cash" done by 12:30 p.m. (Toronto time) shall be priced and a description of the collateral shall be given within 30 minutes of the time that the trade is done.

(b) Subparagraph (a) applies for both the Treasury bill and the bond markets.

6. General Collateral

General collateral consists of Government of Canada debt that is DCS eligible. Any non-standard conditions should be specified before completing the transaction.

7. Value Dates

All market participants shall adhere to standard day counts, as outlined in the chart below, for all trades, specifically term trades. Any participant that wishes to trade to an odd date must specify at the time the order is given to the inter-dealer broker.

8. Term Contracts

The Standard Day Count chart below provides the number of days in each standard contract. Contracts shall roll over a weekend or statutory holiday. Market participants shall specify prior to dealing if they wish to deal to a different date.

Standard Day Count

Contract	Number of Days
1 month	30
2 month	60
3 month	91
4 month	121
5 month	151
6 month	182
7 month	212
8 month	242
9 month	273
10 month	303
11 month	333
12 month	364

D. Marking to Market

1. Margin Calls

(a) Unless the parties to a trade otherwise agree, margin calls on all dealer-to-dealer repo transactions shall be met with transfers of collateral and/or cash.

(b) If the party being marked chooses to meet its margin call with cash, such cash shall not be used to change the economic substance of the trade, but will bear interest at a rate to be determined between the two parties.

(c) If the party being marked chooses to meet its margin call with collateral, the collateral shall have

  (i) Characteristics similar to, or better than, the collateral being repoed,

  (ii) Reasonably acceptable to the counter-party, and

  (iii) Applied on a reasonable basis

(d) A maximum of one piece of collateral per one million should be delivered.

2. Notification of Marks

(a) A party wishing to mark-to-market its counterparties shall do so by 11:30 a.m. (Toronto time).

(b) The mark-to-market should be done on a net basis rather than marking on an issue specific basis.

3. Periodic Review

Unless the parties to a trade otherwise agree, margins shall be reviewed periodically to determine their appropriateness given the remaining term to maturity.

4. Mechanism for Meeting Margin Calls

Margins maintenance shall be achieved through margin calls. In particular, substitutions should not be the mechanism for margin maintenance.

5. Validation of Pricing

(a) If a dispute arises between counterparties, current mid-market prices shall be used to determine the mark-to-market price variance.

(b) Composite prices on an inter-dealer broker's screen shall be used to arrive at the mid-market price.

6. Substitution of Margin Collateral

A party wishing to substitute previously pledged margin collateral shall do so by 11:30 a.m. (Toronto time).

E. Confirmations of Forward Repos

1. Timing and Content

(a) Confirmations shall be sent on forward repos on the day on which the trade takes place.

(b) In addition to any applicable regulatory requirements, the confirmation shall specify at a minimum:

(i) The money or the par amount, as appropriate,

(ii) The start date,

(iii) The end date,

(iv) The rate of interest,

(v) The type of collateral, and

(vi) Whether there are any rights of substitution.

2. Confirming Transactions

All forward settlement transactions shall be confirmed on the "Eltra"/DCS system.

F. Obligation to Make Coupon Payment

1. Definition of "All in Price"

A repo seller is entitled to receive the income payment from the repo buyer to the same extent that it would have been entitled to receive income had it not entered into repurchase transactions on the securities.

2. Definition of "Clean Price"

A repo buyer is not obligated to transfer an income payment to the repo seller. The income payment is applied to reduce the amount to be transferred to the repo buyer upon termination of the transaction. This methodology is consistent with the definition found in Section 4 of the Corporation Repurchase/Reverse Repurchase Transaction Agreement. All transactions are priced using the "clean price" method unless otherwise agreed upon before dealing.

G. General Collateral Repo Allocations

The repo market allocates general collateral transactions based on the type of transactions executed. The following describes the allocation methods generally used for cash settlements, forward settlements, and replacement transactions when substitutions occur:

1. Money-Fill Transactions

It is common practise in Canada that all general collateral transactions be completed on a money-fill basis unless otherwise specified.

(a) Cash – When a transaction is executed on a money-fill basis, the loan or principal amount allocated shall be equal to the loan amount transacted. Collateral allocation on a money-fill basis will be no more than two issues to make $50 million.

(b) Forward Settlement – Same as cash.

(c) Substitutions – Same as cash.

2. Par Transactions

(a) Cash Settlement – When a transaction is executed on a par basis, the allocated amount shall equal the par amount transacted.

(b) Forward Settlement – Same as cash settlement.

(c) Substitutions – When a transaction is executed on a par basis, the replacement transaction shall be done on the basis of the par amount originally transacted.

H. Special Repo Trades

It is current market convention to allocate special repo trades on a par basis.

I. Substitution

1. "Best Efforts"

If collateral has been passed for an overnight or term trade, any substitutions shall be accepted on a "best efforts" basis only.

2. Specifying Substitution

Unless specified prior to initiation of the transaction, the purchaser is under no obligation to allow substitution of collateral.

3. Timing of Collateral Substitutions

(a) Unless the parties to a trade otherwise agree, counterparties to trades with rights of substitution shall be notified of the substitution by 10:00 a.m. (Toronto time) and provided with the description of the substituted collateral by 11:00 a.m. (Toronto time).

(b) If the trade was executed through an inter-dealer broker, the collateral seller is required to notify the executing inter-dealer broker of the substituted collateral within the time frame defined in subparagraph 3(a).

(c) The executing inter-dealer broker is then required to immediately notify the customer of the substituted collateral.

J. Application and Enforcement

(a) Dealer Members are expected to conduct their business to ensure compliance with this Rule.

(b) Failure to comply with this Rule may subject a Dealer Member to sanctions pursuant to the enforcement and disciplinary Rules of the Corporation.

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